



## Town of Chino Valley

### MEETING NOTICE TOWN COUNCIL

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**REGULAR MEETING  
TUESDAY, MARCH 10, 2020  
6:00 P.M.**

**Council Chambers  
202 N. State Route 89  
Chino Valley, Arizona**

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*A majority of the Councilmembers may attend a private invocation in the Council Conference Room immediately prior to the Council meeting. No Town business will be discussed.*

### AGENDA

**1. CALL TO ORDER, PLEDGE OF ALLEGIANCE; ROLL CALL**

**2. INTRODUCTIONS, PRESENTATIONS, AND PROCLAMATIONS**

- a. p.5** Proclamation re-affirming the Council's commitment to the Second Amendment to the United States Constitution and Article II Section 26 of the Constitution of the State of Arizona.
- b.** Presentation by Regina Pecoraro with Compass Training Center regarding quarterly update and report. (Chuck Wynn, Police Chief)

**3. CALL TO THE PUBLIC**

*Call to the Public is an opportunity for the public to address the Council on any issue within the jurisdiction of the Council that is not on the agenda. Public comment is encouraged. Individuals are limited to speak for three (3) minutes. The total time for Call to the Public may be up to 30 minutes per meeting. Council action taken as a result of public comment will be limited to directing staff to study the matter, scheduling the matter for further consideration and decision at a later date, or responding to criticism.*

**4. RESPONSE TO THE PUBLIC**

*Response to the Public is an opportunity for the Mayor to inform the public about how Town officials addressed matters raised during Call to the Public at a previous meeting.*

- a.** Questions regarding the proposed Brook Apartments development and Town zoning regulations.

- b. Comments with regard to lot splits, Town regulations, and a disagreement between citizens and Town staff.

## 5. CURRENT EVENT SUMMARIES AND REPORTS

*This item is for information only. The Mayor, any Councilmember, or Town Manager may present a brief summary or report of current events. If listed below, there may also be a presentation on information requested by the Mayor and Council and questions may be answered. No action will be taken.*

- a. Status reports by Mayor and Council regarding current events.
- b. Status report by Town Manager Cecilia Gritman regarding Town accomplishments, and current or upcoming projects.

## 6. CONSENT AGENDA

*All those items listed below are considered to be routine and may be enacted by one motion. Any Councilmember may request to remove an item from the Consent Agenda to be considered and discussed separately.*

- a. **p.7** Consideration and possible action to authorize the Police Department to apply for a Government of Highway Safety (GOHS) grant. (Chuck Wynn, Police Chief)
- b. **p.9** Consideration and possible action to approve the Professional Service Agreement with Henry & Horne, LLP as the Town's Audit firm, as recommended by the Finance Subcommittee, to perform Professional Audit Services for the Fiscal Years Ending June 30, 2020 through June 30, 2024. (Joe Duffy, Finance Director)
- c. **p.89** Consideration and possible action to approve the February 18, 2020, study session minutes. (Jami Lewis, Town Clerk)

## 7. ACTION ITEMS

*The Council may vote to recess the public meeting and hold an Executive Session on any item on this agenda pursuant to A.R.S. § 38-431.03(A)(3) for the purpose of discussion or consultation for legal advice with the Town Attorney. Executive sessions are not open to the public and no action may be taken in executive session.*

- a. **p.107** Public Hearing and consideration and possible action to recommend approval of an application from Owner Christopher F. Hoult for a new Series 007 (Beer and Wine) Liquor License for Granite Creek Vineyards Wine & Beer Garden, located at 2515 N Road 1 East, Chino Valley. (JoAnn Brookins, Customer Service Manager)

### Recommended Action:

- (i) Hold Public Hearing
- (ii) Recommend approval for a new Series 007 Liquor License for Granite Creek Vineyards.

- b. **p.115** Public Hearing regarding Resolution No. 2020-1153, proposing an extension of the alternative expenditure limitation—home rule option. (Joe Duffy, Finance Director)

Recommended Action: Hold public hearing.

**8. EXECUTIVE SESSION**

*Council may vote to recess the Regular Meeting and hold an executive session, which will not be open to the public, for the following purposes.*

**9. ACTION ITEMS RESUMED**

*After the Executive Session, Council will reconvene the Regular Meeting.*

**10. ADJOURNMENT**

Dated this 5th day of March, 2020.

By: *Jami C. Lewis, Town Clerk*

The Town of Chino Valley endeavors to make all public meetings accessible to persons with disabilities. Please call 636-2646 (voice) or 711 (Telecommunications Arizona Relay Service) 48 hours prior to the meeting to request a reasonable accommodation to participate in this meeting.

Supporting documentation and staff reports furnished to the Council with this agenda are available for review on the Town website at <http://www.chinoaz.net/agendacenter> and in the Public Library and Town Clerk's Office.

**CERTIFICATION OF POSTING**

The undersigned hereby certifies that a copy of this notice was duly posted at Chino Valley South Campus, Chino Valley Post Office, and Chino Valley North Campus in accordance with the statement filed by the Town Council with the Town Clerk.

Date: \_\_\_\_\_ Time: \_\_\_\_\_ By: \_\_\_\_\_  
Jami C. Lewis, Town Clerk

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## TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

### Town Council Regular Meeting

2. a.

**Meeting Date:** 03/10/2020  
**Contact Person:** Cecilia Grittman, Town Manager  
**Department:** Town Manager  
**Estimated length of Staff Presentation:** 10 minutes  
**Physical location of item:** N/A

#### AGENDA ITEM TITLE:

Proclamation re-affirming the Council's commitment to the Second Amendment to the United States Constitution and Article II Section 26 of the Constitution of the State of Arizona.

#### SITUATION & ANALYSIS:

At Yavapai County Board of Supervisor's meeting on 2/5/2020 the County Supervisors passed Resolution 2020 supporting the Second Amendment to the United States Constitution and Article II Section 26 of the Constitution of the State of Arizona and declared Yavapai County a "Second Amendment Sanctuary County." On 2/25/2020 the City of Prescott read a proclamation re-affirming their Council's commitment to the Constitution and the Second Amendment. Council Member Perkins and Vice Mayor Miller requested similar action be taken by the Council of the Town of Chino Valley.

#### Attachments

2nd Amendment Proc



## PROCLAMATION

*Re-affirming the Council's Commitment to the Second Amendment to the United States Constitution and Article II Section 26 of the Constitution of the State of Arizona.*

*March 10, 2020*



*Whereas*, 2020 marks the 233rd Anniversary of the drafting of the Constitution of the United States of America; and

*Whereas*, upon their "swearing in," all Council members pledge an oath to support and defend the Constitution of the United States and the Constitution and laws of the State of Arizona; and

*Whereas*, in addition to their commitment to the Constitution of the United States and the Constitution and laws of the State of Arizona, the members of the Town Council hold dear the fundamental and individual rights of the people to keep and bear arms as guaranteed by the Second Amendment; and

*Whereas*, in its affirmation of support to the Second Amendment, the Constitution of the United States and the Constitution and laws of the State of Arizona, the Chino Valley Town Council will utilize available resources to oppose any proposed legislation that would infringe upon our citizenry's right as guaranteed by the Second Amendment.

*Now, Therefore*, I, Darryl Croft, Mayor of the Town of Chino Valley, do hereby proclaim the Chino Valley Town Council's commitment to the Constitution of the United States, the Second Amendment, and the Constitution and laws of the State of Arizona.

*In Witness Whereof*, I have hereunto set my hand and caused the Seal of the Town of Chino Valley to be affixed this 10th day of March, 2020.

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Darryl L. Croft, Mayor

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ATTEST: Jami C. Lewis, Town Clerk



## TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

### Town Council Regular Meeting

6. a.

**Meeting Date:** 03/10/2020  
**Contact Person:** Marrilee Easton, Civilian Officer  
 Phone: 928-636-4223 x-1283  
**Department:** Police  
**Item Type:** Consent  
**Estimated length of staff presentation:** None  
**Physical location of item:** N/A

### AGENDA ITEM TITLE:

Consideration and possible action to authorize the Police Department to apply for a Government of Highway Safety (GOHS) grant.

### RECOMMENDED ACTION:

Authorize Police Department to apply for a Government of Highway Safety (GOHS) Grant.

### SITUATION AND ANALYSIS:

Each year the CVPD applies for and receives grant funds from the Government of Highway Safety (GOHS). This year we would like to request funds for Police Traffic Services. This will allow us to purchase more speed signs to put up at school zones and overtime for officers to perform selective traffic enforcement on speeding, seat belts and aggressive/reckless driving.

### Fiscal Impact

**Fiscal Impact?:** No

**If Yes, Budget Code:**

**Available:**

**Funding Source:**

Funds will be accounted for in the Grant Fund. No town matching funds are required.

### Attachments

*No file(s) attached.*

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## TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

### Town Council Regular Meeting

6. b.

**Meeting Date:** 03/10/2020  
**Contact Person:** Joe Duffy, Finance Director  
 Phone: 928-636-2646 x-1211  
**Department:** Finance  
**Item Type:** Action Item  
**Estimated length of staff presentation:** None  
**Physical location of item:** n/a

### AGENDA ITEM TITLE:

Consideration and possible action to approve the Professional Service Agreement with Henry & Horne, LLP as the Town's Audit firm, as recommended by the Finance Subcommittee, to perform Professional Audit Services for the Fiscal Years Ending June 30, 2020 through June 30, 2024.

### RECOMMENDED ACTION:

Approve the Professional Service Agreement with Henry & Horne, LLP as the Town's Audit firm, as recommended by the Finance Subcommittee, to perform Professional Audit Services for the Fiscal Years Ending June 30, 2020 through June 30, 2024.

### SITUATION AND ANALYSIS:

#### Issue Statement

The Town of Chino Valley's Financial Policies require the Finance Department to issue a request for Professional Audit Services every five years. The Request was issued on November 28, 2019. Five audit firms responded to the RFP, one was disqualified due to their bid being incomplete. The Finance Committee reviewed the responses on February 25, 2020, from each firm and recommended the Town select Henry & Horne, LLP.

#### Applicable "Policy"

Town Financial Policies per Resolution No. 13-1010.

#### Satisfaction of "Policy"

This action satisfies the Policy.

#### Summary of Issues and Staff Rationale

#### Findings of Fact

**Fiscal Impact**

**Fiscal Impact?:** yes

**If Yes, Budget Code:** 01-46-5212

**Available:** \$101,755

**Funding Source:**

The Town will budget the annual amount for each of the three fiscal years in the Finance Departments Budget .

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**Attachments**

Audit Firms

PSA - Henry & Horne - Financial Auditing Services

02/25/20 FI Draft Minutes

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| Town of Chino Valley           |                          |                              |                                   |                              |
|--------------------------------|--------------------------|------------------------------|-----------------------------------|------------------------------|
| Audit RFP Evaluation           |                          |                              |                                   |                              |
| January 9, 2020                |                          |                              |                                   |                              |
| Firm Name                      | Heinfeld Meech & Co., PC | Henry & Horne, LLP           | Hinton Burdick, CPAs & Advisors   | Clifton Larson Allen LLP     |
|                                | 10120 N Oracle Rd        | 2055 E, Warner Rd, Suite 101 | 1757 East Baseline Rd., Suite 104 | 20 E Thomas Road, Suite 2300 |
|                                | Tucson, Az 85704         | Tempe, Az 85284              | Gilbert, Arizona 85233            | Phoenix, Az 85012-3111       |
|                                |                          |                              |                                   |                              |
| Total Fiscal Year 2019-20      | \$35,500                 | \$33,500                     | \$29,500                          | \$33,232                     |
|                                |                          |                              |                                   |                              |
| Total Fiscal Year 2020-21      | \$36,575                 | \$33,500                     | \$30,400                          | \$34,125                     |
|                                |                          |                              |                                   |                              |
| Total Fiscal Year 2021-22      | \$42,150                 | \$37,000                     | \$34,300                          | \$39,795                     |
|                                |                          |                              |                                   |                              |
| <b>TOTAL PRICE THREE YEARS</b> | \$114,225                | \$104,000                    | \$94,200                          | \$107,152                    |
|                                |                          |                              |                                   |                              |

**PROFESSIONAL SERVICES AGREEMENT  
BETWEEN  
THE TOWN OF CHINO VALLEY  
AND  
HENRY & HORNE, LLP**

THIS PROFESSIONAL SERVICES AGREEMENT (this “Agreement”) is entered into as of March 10, 2020, between the Town of Chino Valley, an Arizona municipal corporation (the “Town”), and Henry & Horne, LLP, an Arizona limited liability partnership (the “Consultant”).

**RECITALS**

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

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

**AGREEMENT**

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

1. **Term of Agreement.**

1.1 This Agreement shall be effective as of the date first set forth above and shall remain in full force and effect until March 9, 2021 (the “Initial Term”), unless terminated as otherwise provided in this Agreement.

1.2 **Renewal Terms.** After the expiration of the Initial Term, this Agreement may automatically renew for up to four successive one-year terms (each, a “Renewal Term”), subject to availability and appropriation of funds for renewal in each subsequent year, unless the Consultant notifies the Town in writing of its desire to terminate the Contract. If extended, the prices stated in Section 3 below shall be applicable during the subsequent Renewal Term unless the Consultant notifies the Town in writing of any rate increase and the Town approves the increase with an authorized signature, prior to the end of the then-current term. The Initial Term and any Renewal Term(s) are collectively referred to herein as the “Term.” Upon renewal, the terms and conditions of this Agreement shall remain in full force and effect.

1.3 **Non-Default.** By consenting to a Renewal Term, Consultant shall be deemed to affirmatively assert that (i) the Town is not currently in default, nor has been in default at any time prior to the Renewal Term, under any of the terms or conditions of the Agreement and (ii) any and all Consultant claims, known and unknown, relating to the

Agreement and existing on or before the commencement date of the Renewal Term are forever waived.

2. Scope of Work. Consultant shall provide the Services as set forth in the Scope of Work attached hereto as Exhibit B and incorporated herein by reference. Consultant shall (i) provide the Services required by this Agreement, (ii) be responsible for all means, methods, techniques, sequences and proceedings associated with the Services and (iii) be responsible for the acts and omissions of its employees, agents and other persons performing any of the Services under a contract with Consultant.

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

- A. For Fiscal Year 2019-2020, an amount not to exceed \$33,500.00.
- B. For Fiscal Year 2020-2021, an amount not to exceed \$33,500.00.
- C. For Fiscal Year 2021-2022, an amount not to exceed \$37,000.00.
- D. For Fiscal Year 2022-2023, an amount not to exceed \$33,500.00.
- E. For Fiscal Year 2023-2024, an amount not to exceed \$33,500.00.

The maximum aggregate amount for the Term of this Agreement shall not exceed \$171,000.00.

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

5. Safety Plan. Consultant shall provide the Services in accordance with a safety plan that is compliant with Occupational Safety and Health Administration (“OSHA”), American National Standards Institute and National Institute for Occupational Safety and Health standards. If, in the Consultant’s sole determination, the Services to be provided do not require a safety plan, Consultant shall notify the Town, in writing, describing the reasons a safety plan is unnecessary. The Town reserves the right to request a safety plan following such notification.

6. Documents. All documents, including any intellectual property rights thereto, prepared and submitted to the Town pursuant to this Agreement shall be the property of the Town. The Town may use such documents for other purposes without further compensation to the Consultant; however, any reuse without written verification or adaptation by Consultant for the specific purpose intended will be at the Town’s sole risk and without liability or legal exposure to Consultant.

7. Consultant Personnel. Consultant shall provide experienced personnel, capable of and devoted to the successful performance of the Services under this Agreement. Consultant

agrees to assign specific individuals to key positions. If deemed qualified, the Consultant is encouraged to hire Town residents to fill vacant positions at all levels. Consultant agrees that, upon commencement of the Services to be performed under this Agreement, key personnel will not be removed or replaced without prior written notice to the Town. If key personnel are not available to perform the Services for a continuous period exceeding 30 calendar days, or are expected to devote substantially less effort to the Services than initially anticipated, Consultant shall immediately notify the Town of same and shall, subject to the concurrence of the Town, replace such personnel with personnel possessing substantially equal ability and qualifications.

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

9. Licenses. Consultant shall maintain in current status all federal, state and local licenses and permits required for the operation of the business conducted by the Consultant. The Town has no obligation to provide Consultant, its employees or subcontractors any business registrations or licenses required to perform the specific services set forth in this Agreement. The Town has no obligation to provide tools, equipment or material to Consultant.

10. Materials; Equipment. Consultant shall provide, pay for and insure under the requisite laws and regulations all labor, materials, equipment, tools, transportation and other facilities and services necessary for the proper execution and completion of the Services.

11. Performance Warranty. In addition to any specific obligations set forth in Exhibit B, Consultant warrants that the Services rendered will conform to the requirements of this Agreement and shall be carried out with the care and skill ordinarily used by members of the same profession practicing under similar circumstances at the same time and in the same locality.

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

### 13. Insurance.

#### 13.1 General.

A. Insurer Qualifications. Without limiting any obligations or liabilities of Consultant, Consultant shall purchase and maintain, at its own expense,

hereinafter stipulated minimum insurance with insurance companies authorized to do business in the State of Arizona pursuant to ARIZ. REV. STAT. § 20-206, as amended, with an AM Best, Inc. rating of A- or above with policies and forms satisfactory to the Town. Failure to maintain insurance as specified herein may result in termination of this Agreement at the Town's option.

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

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

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

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

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

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

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

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

J. Evidence of Insurance. Prior to commencing any work or services under this Agreement, Consultant will provide the Town with suitable evidence of insurance in the form of certificates of insurance and a copy of the declaration page(s) of the insurance policies as required by this Agreement, issued by Consultant's insurance insurer(s) as evidence that policies are placed with acceptable insurers as specified herein and provide the required coverages, conditions and limits of coverage specified in this Agreement and that such coverage and provisions are in full force and effect. Confidential information such as the policy premium may be redacted from the declaration page(s) of each insurance policy, provided that such redactions do not alter any of the information required by this Agreement. The Town shall reasonably rely upon the certificates of insurance and declaration page(s) of the insurance policies as evidence of coverage but such acceptance and reliance shall not waive or alter in any way the insurance requirements or obligations of this Agreement. If any of the policies required by this Agreement expire during the life of this Agreement, it shall be Consultant's responsibility to forward renewal certificates and declaration page(s) to the Town 30 days prior to the expiration date. All certificates of insurance and declarations required by this Agreement shall be identified by referencing this Agreement. A \$25.00 administrative fee shall be assessed for all certificates or declarations received without the appropriate reference to this Agreement. Additionally, certificates of insurance and declaration page(s) of the insurance policies submitted without referencing this Agreement 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 04 13 or equivalent.

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

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

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

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

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

K. Endorsements. Consultant shall provide the Town with the necessary endorsements to ensure Town is provided the insurance coverage set forth in this Section 13.

#### 13.2 Required Insurance Coverage.

A. Commercial General Liability. Consultant shall maintain "occurrence" form Commercial General Liability insurance with an unimpaired limit of not less than \$1,000,000 for each occurrence, \$2,000,000 Products and Completed Operations Annual Aggregate and a \$2,000,000 General Aggregate Limit. The policy shall cover liability arising from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury. Coverage under the policy will be at least as broad as ISO policy form CG 00 010 93 or equivalent thereof, including but not limited to, separation of insured's clause. To the fullest extent allowed by law, for claims arising out of the performance of this Agreement, the Town, its agents, representatives, officers, officials and employees shall be cited as an Additional Insured under ISO, Commercial General Liability Additional Insured Endorsement form CG 20 10 04 13, or equivalent, which shall read "Who is an Insured (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of "your work" for that insured by or for you." If any Excess insurance is utilized to fulfill the requirements of this subsection, such Excess insurance shall be "follow form" equal or broader in coverage scope than underlying insurance.

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

Designated Insured Endorsement form CA 20 48 or equivalent. If any Excess insurance is utilized to fulfill the requirements of this subsection, such Excess insurance shall be “follow form” equal or broader in coverage scope than underlying insurance.

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

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

13.3 Cancellation and Expiration Notice. Consultant shall provide at least 30 days prior written notice to the Town before insurance required herein expires, is canceled, or is materially changed.

14. Termination; Cancellation. The Town may, by written notice to Consultant as set forth in this Section, terminate this Agreement in whole or in part.

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

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

14.3 Due to Work Stoppage. This Agreement may be terminated by the Town upon 30 days' written notice to Consultant in the event that the Services are permanently abandoned. If Consultant abandons the Services without the consent of the Town, Consultant shall be liable for all actual, incidental and consequential damages arising from or related to said abandonment, including, but not limited to: (A) the difference between the cost of a replacement Consultant to complete the Services and the contract price for Consultant under this Agreement; and (B) any additional charges, costs, fees or expenses for labor, materials or professional services incurred by the Town as a result of delays caused by abandonment of the Services by Consultant. The Town shall use its best efforts to replace Consultant within a reasonable time.

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

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

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

14.7 Obligations Upon Receipt of Termination Notice. Upon receipt of a notice of termination as set forth above, Consultant shall (A) immediately discontinue all Services affected (unless the notice directs otherwise), and (B) deliver to the Town copies of all data, reports, calculations, drawings, specifications and estimates entirely or partially completed, together with all unused materials supplied by the Town, related to the Services including any completed divisible part of the Services which can be deemed to stand alone (the completed divisible parts of the Services will be determined by both parties at the time of termination). Such termination shall not relieve Consultant of liability for errors and omissions. Any use of incomplete documents for the Services or for any other project without the specific written authorization by Consultant will be without liability or legal exposure to Consultant. Consultant shall appraise the work it has completed and submit the appraisal to the Town for evaluation.

15. Suspension of Work.

15.1 Order to Suspend. The Town may, for its convenience, order the Consultant, in writing, to suspend all or any part of the Services for such period of time as it may determine to be appropriate.

15.2 Adjustment to Contract Sum. If the performance of all or any part of the Services is, for any unreasonable period of time, suspended or delayed by an act of the Town in the administration of this Agreement, or by its failure to act within the time specified in this Agreement (or if no time is specified, within a reasonable time), an adjustment shall be made for any increase in cost of performance of this Agreement necessarily caused by such unreasonable suspension or modified in writing accordingly. However, no adjustment shall be made under this clause for any suspension or delay (A) to the extent that performance was suspended or delayed for any other cause, including the fault or negligence of the Consultant, or (B) for which a change order is executed.

16. Miscellaneous.

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

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

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

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

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

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

16.7 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 this Agreement. The parties acknowledge and agree that each has had the opportunity to seek and utilize legal counsel in the drafting of, review of, and entry into this Agreement.

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

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

16.10 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 Consultant from any responsibilities or obligations imposed by this Agreement or by law, and shall not be deemed a waiver of any right of the Town to insist upon the strict performance of this Agreement.

16.11 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.

16.12 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.

16.13 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 Consultant any amounts Consultant owes to the Town for damages that have been reduced to a judgment resulting from breach or deficiencies in performance or breach of any obligation under this Agreement.

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

16.14 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 or (C) given to a recognized and reputable overnight delivery service, to the address set forth below:

|                 |                                                                                                                          |
|-----------------|--------------------------------------------------------------------------------------------------------------------------|
| If to the Town: | Town of Chino Valley<br>202 North State Route 89<br>Chino Valley, Arizona 86323<br>Attn: Cecilia Grittmann, Town Manager |
|-----------------|--------------------------------------------------------------------------------------------------------------------------|

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

If to Consultant: Henry & Horne, LLP  
 2055 East Warner Road, Suite 101  
 Tempe, Arizona 85284  
 Attn: Brian Hemmerle, CPA, CFE

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

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

16.16 Records and Audit Rights. To ensure that the Consultant and its subcontractors are complying with the warranty under subsection 16.17 below, Consultant'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 Consultant and its subcontractors' employees who perform any work or services pursuant to this Agreement (all of the foregoing hereinafter referred to as "Records"), shall be open to inspection and subject to audit and/or reproduction during normal working hours by the Town, to the extent necessary to adequately permit (A) evaluation and verification of any invoices, payments or claims based on Consultant's and its subcontractors' actual costs (including direct and indirect costs and overhead allocations) incurred, or units expended directly in the performance of work under this Agreement and (B) evaluation of the Consultant's and its subcontractors' compliance with the Arizona employer sanctions laws referenced in subsection 16.17 below. To the extent necessary for the Town to audit Records as set forth in this subsection, Consultant and its subcontractors hereby waive any rights to keep such Records confidential. For the purpose of evaluating or verifying such actual or claimed costs or units expended, the Town shall have access to said Records, even if located at its subcontractors' facilities, from the effective date of this Agreement for the duration of the work and until three years after the date of final payment by the Town to Consultant pursuant to this Agreement. Consultant and its subcontractors shall provide the Town with adequate and appropriate workspace so that the Town can conduct audits in compliance with the provisions of this subsection. The Town shall give Consultant or its subcontractors reasonable advance notice of intended audits. Consultant shall require its subcontractors to

comply with the provisions of this subsection by insertion of the requirements hereof in any subcontract pursuant to this Agreement.

16.17 E-verify Requirements. To the extent applicable under ARIZ. REV. STAT. § 41-4401, the Consultant and its subcontractors warrant compliance with all federal immigration laws and regulations that relate to their employees and their compliance with the E-verify requirements under ARIZ. REV. STAT. § 23-214(A). Consultant's or its subcontractor's failure to comply with such warranty shall be deemed a material breach of this Agreement and may result in the termination of this Agreement by the Town.

16.18 Israel. To the extent ARIZ. REV. STAT. § 35-393 through § 35-393.03 are applicable, the parties hereby certify that they are not currently engaged in, and agree for the duration of this Agreement to not engage in, a boycott of goods or services from Israel, as that term is defined in ARIZ. REV. STAT. § 35-393.

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

16.20 Time is of the Essence. The timely completion of the Services is of critical importance to the economic circumstances of the Town.

16.21 Meaning of Terms. References made in the singular shall include the plural and the masculine shall include the feminine or the neuter.

16.22 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.

[SIGNATURES ON FOLLOWING PAGE]

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

**“Town”**

TOWN OF CHINO VALLEY,  
an Arizona municipal corporation

\_\_\_\_\_  
Darryl Croft, Mayor

ATTEST:

\_\_\_\_\_  
Jami Lewis, Town Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Andrew J. McGuire, Town Attorney  
Gust Rosenfeld, PLC

**“Vendor”**

Henry & Horne, LLP,  
an Arizona limited liability partnership

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

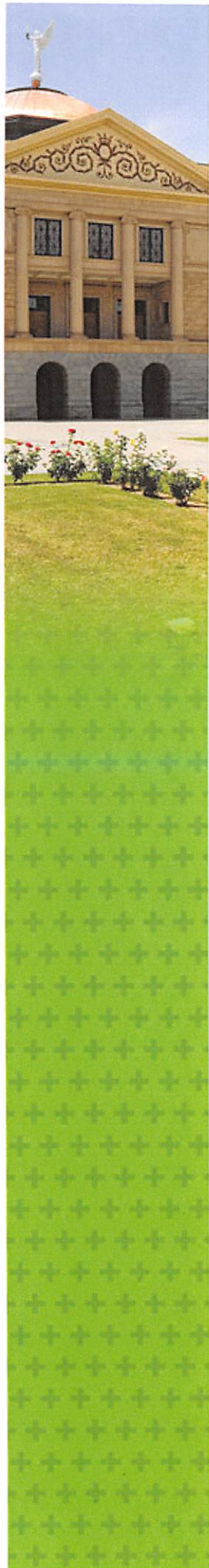
Name: \_\_\_\_\_

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

EXHIBIT A  
TO  
PROFESSIONAL SERVICES AGREEMENT  
BETWEEN  
THE TOWN OF CHINO VALLEY  
AND  
HENRY & HORNE, LLP

[Consultant's Proposal]

See following pages.



# Town of Chino Valley

## Proposal to Provide Audit Services

*(Firm and irrevocable for 90 days from date proposal is due.)*

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

January 7, 2020



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## LETTER OF TRANSMITTAL

January 7, 2020

Audit Committee  
Town of Chino Valley  
202 North State Route 89  
Chino Valley, Arizona 86323

The undersigned, Henry+Horne, hereby submits its response to your Request for Proposal.

### UNDERSTANDING OF THE WORK TO BE DONE

It is our understanding the Town of Chino Valley requires a qualified CPA firm to express an opinion on the fair presentation of its financial statements for the fiscal years ending June 30, 2020, 2021, 2022, 2023 and 2024. These audits are to be performed in accordance with generally accepted auditing standards, GAS, The Single Audit Act Amendments and the provisions of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

### BEST QUALIFIED

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

### FIRM AND IRREVOCABLE

This proposal is firm and irrevocable for 120 days from the date the proposal is signed.

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

Sincerely,

A handwritten signature in black ink that reads 'Henry &amp; Horne, LLC'. The signature is written in a cursive, slightly stylized font.

Henry & Horne, LLP

Contact Information:  
Brian Hemmerle, CPA, CFE  
2055 E. Warner Rd, Suite 101  
Tempe, AZ 85284  
[BrianH@hhcpa.com](mailto:BrianH@hhcpa.com)

[www.hhcpa.com](http://www.hhcpa.com)

**SECTION A****TOWN OF CHINO VALLEY  
FINANCE DEPARTMENT****PART 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.

Henry & Horne, LLP  
VENDOR SUBMITTING PROPOSAL

86-0133881  
FEDERAL TAX ID NUMBER

Brian Hemmerle, CPA, CFE, Partner  
PRINTED NAME AND TITLE

  
AUTHORIZED SIGNATURE

2055 E. Warner Rd, Suite 101  
ADDRESS

(480) 839-4900 (480) 839-4664  
TELEPHONE FAX #

Tempe AZ 85284  
CITY STATE ZIP

1/17/2020  
DATE

WEB SITE: www.hhcpa.com

E-MAIL ADDRESS: BrianH@hhcpa.com

ARIZONA CORPORATION COMMISSION FILE NO. S4002547

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.



# Firm Overview

## VENDOR IDENTIFICATION INFORMATION

Legal Name: Henry & Horne, LLP

Address: 2055 E. Warner Rd, Suite 101, Tempe, AZ 85284

Identification Number:

Legal Form: Partnership

Henry+Horne is not a joint venture.

## PRINCIPAL OFFICE

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

|                              |                               |                                  |
|------------------------------|-------------------------------|----------------------------------|
| Tempe                        | Scottsdale                    | Casa Grande                      |
| 2055 E. Warner Rd, Suite 101 | 7098 E. Cochise Rd, Suite 100 | 1115 E. Cottonwood Ln, Suite 100 |
| Tempe, AZ 85284              | Scottsdale, AZ 85253          | Casa Grande, AZ 85122            |
| (480) 839-4900               | (480) 483-1170                | (520) 836-8201                   |

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

## DESCRIPTION OF ORGANIZATION

Overview of Henry+Horne:

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

Government Audit core services:

- Audit + Accounting
- School compliance audits
- Reviews
- Internal control structure review

- Minimum accounting standards audits for Arizona courts
- Annual expenditure limitation report
- Development impact fee audits

The Henry+Horne team has:

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

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

## MANDATORY QUALIFICATIONS

### LICENSE TO PRACTICE IN ARIZONA

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

### INDEPENDENCE

Henry+Horne has been providing professional audit services to the Town of Chino Valley for the past five fiscal years; however, Henry+Horne is independent of the Town of Chino Valley as defined by generally accepted auditing standards as set forth in the United States General Accounting Office's Government Auditing Standards 2011 (revised). If Henry+Horne shall enter into any further professional relationships during the period of this engagement, the firm will give the Town of Chino Valley written notice.

### PEER REVIEW

Henry+Horne is a member of the Private Companies Practice Section (PCPS) of the American Institute of Certified Public Accountants (AICPA). Membership in the PCPS is significant because it is an acknowledgment that Henry+Horne is dedicated to the implementation and maintenance of high professional standards. It also means that all professional staff must meet minimum professional continuing education requirements.

# Henry+Horne

The 411



Arizona's Largest Locally  
Owned Accounting Firm

1957  
FOUNDED

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



140+  
PROFESSIONALS

78  
CPAS



16  
PARTNERS

10+  
SERVICES



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

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



4+  
INDUSTRIES

3  
LOCATIONS



1  
FIRM

WE ARE SOCIAL



Qualifications for membership in PCPS require that member firms be subject to internal review by the governing authorities of the section. The internal reviews are designed to examine compliance with professional standards by the members and are performed by selected peers within the membership.

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

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

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

### CONTINUING EDUCATION REQUIREMENTS

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

Senior members of our government team have acquired the following CPE requirements: Government Accounting, Reporting and Auditing Update; Statements on Auditing Standards No. 99; Advanced Government Financial Reporting; Fraud in the Governmental and Not-For-Profit Environment; and Emerging GASB Pronouncements: What You Need To Know.

### CONFLICT OF INTEREST

Henry+Horne has no potential conflict of interest with the Town of Chino Valley.

### CONTRACT TERMINATION

Henry+Horne has had not contract terminated prematurely by a client within the past five (5) years.

### CLAIMS

there have been no claims against Henry+Horne, arising from a contract which resulted in litigation or arbitration within the last five (5) years.

### FEDERAL OR STATE REVIEWS

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

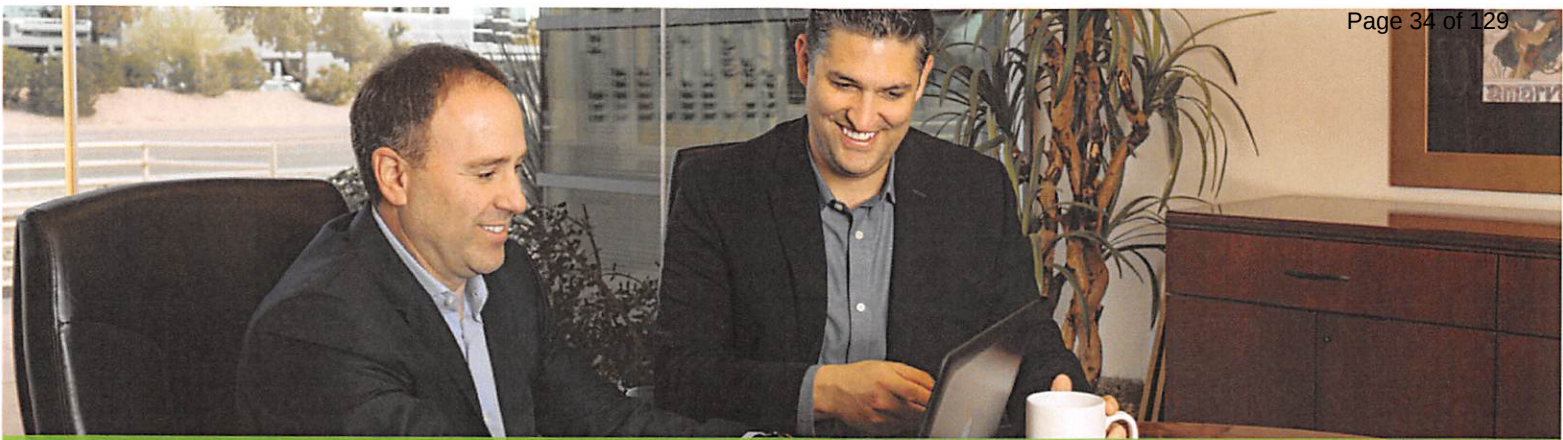
### VENDOR INFORMATION FORM

The signed vendor information form can be found attached in Appendix B.



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

Gergana Kovatcheva  
Former Finance Consulting  
Manager  
First Things First



# Experience & Qualifications

## EXPERIENCE

Henry+Horne has been serving the governmental accounting industry since the firm was founded in 1957. Our group of industry specific experienced professionals has many years of experience providing audit and other professional accounting services to government entities including school districts, special districts, tribal governments and state and local governments. The Town of Chino Valley's auditors will have the knowledge and proficiency needed to produce quality results.

### On the Forefront of the Governmental Accounting Industry

- Our experts are members of the American Institute of Certified Public Accountants (AICPA), Arizona Society of Certified Public Accountants (ASCPA), Government Finance Officers Association (GFOA), Government Finance Officers Association of Arizona (GFOAz), Association of Government Accountants - Phoenix Chapter (AGA) and the Arizona Association of School Business Officials (AASBO).
- Brian Hemmerle currently serves as a reviewer for the GFOA award program.
- Chuck Goodmiller holds the designation of Chartered Global Management Accountant, which gives our professionals access to additional resources including research, tools and a global network, powered by the resources and expertise of the AICPA and CIMA.
- Brian Hemmerle holds the designation of Certified Fraud Examiner from the Association of Certified Fraud Examiners.
- Brian Hemmerle is a Board Member and Treasurer of the Girl Scouts Arizona Cactus Pine Council.
- Chuck Goodmiller is a Board Member of the Banner Casa Grande Hospital Advisory Board and Vice Chair of the Banner Casa Grande Hospital Foundation, and is a member of David Johnson's Charitable Mission 31 Foundation.
- Our team members write articles for the Henry+Horne blogs and e-Newsletters, and their work is often cited in other accounting publications.
- Henry+Horne is a member of the AICPA Government Audit Quality Center (GAQC).
- Our government professionals are invited year after year to present quality technical CPE to local associations such as GFOAz, AGA Phoenix Chapter, AASBO and the ASCPA.

### Standing Out from the Competition

Henry+Horne is Arizona's largest locally owned accounting firm. We've been working with the government industry since our inception in 1957. That means we are a trusted CPA firm with extensive experience in the government industry. We have loyally served government entities in Arizona for decades and will continue to serve many more for years to come.

We combine the knowledge and expertise of a premier professional accounting firm with the personal attention of a local CPA, meaning unmatched service to you.

- Our government partners and professionals will work side by side with the Town of Chino Valley from start to finish of the audit.
- Henry+Horne believes in a one-way work flow process, meaning as our team members are conducting fieldwork they will be in constant contact with Town of Chino Valley personnel gathering all pertinent information.
- Faster audit results for the Town of Chino Valley, as well as the elimination of any last minute requests for information.
- Your engagement team will follow-through with the Town of Chino Valley throughout the entire audit process while working to produce timely and quality results.

Auditors you know and trust.

- Our firm is dedicated to retaining industry specific experienced professionals in our government niche.
- We strive to hire the cream of the crop and help them to develop and succeed professionally in order to better serve you.
- Henry+Horne offers our team members more than just a paycheck. We offer them a firm where they enjoy coming to work and want to stay, providing a team you are familiar working with year after year. As our team members stay on with the firm and gain expertise and knowledge, they are able to provide efficient and quality work.
- Our turnover rate is 8%; much lower than the industry average of 26%.

More than just audit results.

- Henry+Horne will give the Town of Chino Valley more than just audit results.
- We customize our program to the Town of Chino Valley's needs.
- During fieldwork, your engagement team is doing more than just looking for compliance. They apply critical thinking to the Town of Chino Valley's situation.
- We do walk-throughs and risk assessment and then we brainstorm. Where can something go wrong? Is the Town of Chino Valley vulnerable to fraud? We bring these questions to the table and discuss them with the Town of Chino Valley to help us better address any problem areas moving forward.
- We don't just hand over our results and consider our job done. We work with the Town of Chino Valley and train personnel to implement a plan for improvements.

Commitment to the government industry.

- We go above and beyond serving the government industry by doing more than providing audit services.
- We strive to keep our clients abreast of changes that impact their operations and procedures, as well as staying ahead of problems that could pop up down the road, such as fraud.
- We provide complimentary CPE every quarter and you are invited!

The quality of Henry+Horne's audit work is evidenced by the following:

- All past federal and state desk reviews of governmental type audits have resulted in acceptance of all reports. These reports were prepared in compliance with generally accepted auditing standards, the Standards for Audits of Governmental Organizations issued by the U.S. Governmental General Accounting Office, and the Single Audit Act and amendments by the Office of Management and Budget Uniform Guidance.
- All governmental entities audited by our firm that have submitted their financial statements to the Government Finance Officers Association (GFOA) have received the Certificate of Achievement for Excellence in Financial Reporting. This certificate is awarded by the GFOA, a national organization whose goal is to provide practical guidance to accounting and auditing professionals serving state and local governments.
- All firm professionals working on governmental engagements exceed the professional qualification requirements for governmental audits.

## PEER REVIEW

You can find a copy of the Firm's peer review in Appendix A.

## SIMILAR ENGAGEMENTS

Henry+Horne professionals are experienced with governments. Below is a list of references of current clients that you are able to contact. Please feel free to ask for additional references to contact as the below list is just a sampling of our clients.

### *City of Casa Grande*

Contact: Larry Rains, City Manager  
 Address: 510 E. Florence Blvd., Casa Grande, AZ 85122  
 Email: larryr@casagrandeaz.gov  
 Phone: (520) 421-8600  
 Scope of Work: Audit  
 Hours: 500  
 Engagement Partner: Brian Hemmerle  
 Date: 1980 - Current

### *City of Bullhead City*

Contact: Rudy Vera, Finance Director  
 Address: 2355 Trane Road, Bullhead City, AZ 86442  
 Email: rvera@bullheadcity.com  
 Phone: (928) 763-0100  
 Scope of Work: Audit  
 Hours: 330  
 Engagement Partner: Brian Hemmerle  
 Date: 2016 - Current

### *Town of Marana*

Contact: Erick Montague, Deputy Town Manager  
 Address: 11555 W. Civic Center Dr., Marana, AZ 85653  
 Email: emontague@maranaaz.gov  
 Phone: (520) 382-1999  
 Scope of Work: Audit  
 Hours: 260  
 Engagement Partner: Brian Hemmerle  
 Date: 2008 - Current

### *City of Tolleson*

Contact: Vicky Juvet, CFO  
 Address: 9555 W. Van Buren St., Tolleson, AZ 85353  
 Email: vjuvet@tollesonaz.org  
 Phone: (623) 936-2778  
 Scope of Work: Audit  
 Hours: 210  
 Engagement Partner: Brian Hemmerle  
 Date: 2016 - Current

## ENGAGEMENTS WITH THE TOWN OF CHINO VALLEY

Henry+Horne has performed an audit of the financial statements for the Town of Chino Valley for fiscal years ended June 30, 2015, 2016, 2017, 2018 and 2019. Marilyn Mays was the partner on the engagement for 2015, 2016, 2017 and 2018 while Brian Hemmerle was the partner on the engagement for 2019 due to Marilyn's retirement. A total of 235 hours was put into the engagement. All work was performed out of our Tempe location at 2055 E. Warner Rd, Suite 101, Tempe, AZ 85284.

## INVESTIGATION

Henry+Horne understands the Town of Chino Valley may conduct an investigation, if necessary, to determine that we are able to perform the audit according to the RFP. Henry+Horne will be ready to submit additional requested documentation within 72 hours to help the Town of Chino Valley in its evaluation.



# Key Positions

## KEY PERSONNEL

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

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

| AUDIT TEAM                  | TITLE                 | ROLE                                | EXPERIENCE |
|-----------------------------|-----------------------|-------------------------------------|------------|
| Brian Hemmerle, CPA, CFE    | Government Partner    | Lead Engagement Partner             | 11+ Years  |
| Chuck Goodmiller, CPA, CGMA | Co-Managing Partner   | Engagement & Quality Control Review | 27+ Years  |
| Nick Baldelli, CPA          | Government Supervisor | Engagement-in-Charge                | 6+ Years   |

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

- Assigning the most competent audit professionals to the job.
- Your engagement team have performed numerous engagements and have more than 45 years combined experience in governmental accounting.
- Your engagement team are members of local and national organizations.
- Your engagement team stays current on the the latest changes to the government finance world, which means you will stay current as well.

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

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

| GFOA                        | GFOAZ                    | ASCPA                       |
|-----------------------------|--------------------------|-----------------------------|
| Brian Hemmerle, CPA, CFE*   | Brian Hemmerle, CPA, CFE | Brian Hemmerle, CPA, CFE    |
| Chuck Goodmiller, CPA, CGMA | Nick Baldelli, CPA       | Chuck Goodmiller, CPA, CGMA |
| Nick Baldelli, CPA*         |                          | Nick Baldelli, CPA          |

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

#### **Brian Hemmerle**

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

#### *Lead Engagement Partner*

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

#### **Chuck Goodmiller**

- Ensure compliance with our firm's quality control.

#### *Engagement & Quality Control Review Partner*

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

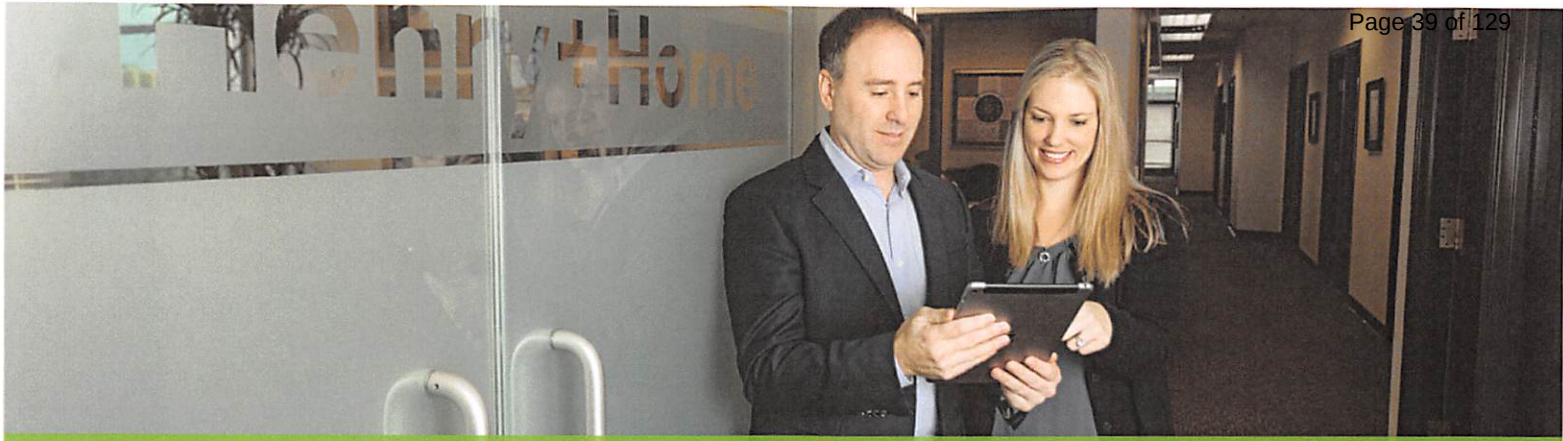
#### **Nick Baldelli**

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

#### *Engagement Manager and Engagement-in-Charge*

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

Henry+Horne will not be using a subcontractor for your engagement.



# Project Approach

## WORK PLAN

### Initial Audit Year: Performed In July

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

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

### Preliminary Risk Assessment Segment: Performed In July

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

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

**Risk Assessment Procedures:**

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

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

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

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

**Fieldwork Audit Procedures: Performed In September - October**

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

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

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

Fieldwork will include audit procedures in significant areas such as:

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

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

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

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

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

**Audit Conclusion: Performed In November**

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

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

## PROPOSED LEVEL OF STAFF AND HOURS

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

| AUDIT APPROACH                                                                                                                                                                                                                                                                           | SUPERVISOR/ |        |       | TOTAL |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------|-------|-------|
|                                                                                                                                                                                                                                                                                          | PARTNER     | SENIOR | STAFF |       |
| PRELIMINARY SEGMENT                                                                                                                                                                                                                                                                      |             |        |       |       |
| Audit Setup and Organization                                                                                                                                                                                                                                                             | -           | -      | 6     | 6     |
| Develop Audit Programs                                                                                                                                                                                                                                                                   | 2           | 2      | -     | 4     |
| Perform Risk Assessment/Assessment of Internal Controls                                                                                                                                                                                                                                  | 2           | 8      | 8     | 18    |
| Preliminary Analytical procedures                                                                                                                                                                                                                                                        | -           | 4      | -     | 4     |
| Staff Planning & Discussion-Specific Procedures                                                                                                                                                                                                                                          | 4           | 4      | 4     | 12    |
| Materiality & Major Fund Determination                                                                                                                                                                                                                                                   | -           | -      | 2     | 2     |
| FIELDWORK SEGMENT                                                                                                                                                                                                                                                                        |             |        |       |       |
| Substantive audit procedures will be used throughout the specific audit areas. Audit procedures include confirmations, ratio analysis, budget and prior year balance comparisons, test of details, sampling from account populations, analytical procedures and disclosure requirements. |             |        |       |       |
| Cash & Investments                                                                                                                                                                                                                                                                       | 1           | 2      | 3     | 6     |
| Receivables                                                                                                                                                                                                                                                                              | 1           | 2      | 6     | 9     |
| Other Assets                                                                                                                                                                                                                                                                             | -           | -      | 2     | 2     |
| Capital Assets                                                                                                                                                                                                                                                                           | 1           | 8      | -     | 9     |
| Accounts Payable/Deposits                                                                                                                                                                                                                                                                | 1           | -      | 4     | 5     |
| Accrued Liabilities/Interest                                                                                                                                                                                                                                                             | -           | -      | 2     | 2     |
| Unearned Revenues/Deferred Revenues                                                                                                                                                                                                                                                      | -           | -      | 2     | 2     |
| Long-term Liabilities                                                                                                                                                                                                                                                                    | 1           | 8      | -     | 9     |
| Equity                                                                                                                                                                                                                                                                                   | -           | -      | 3     | 3     |
| Revenues                                                                                                                                                                                                                                                                                 | 2           | 8      | 8     | 18    |
| Expenditures                                                                                                                                                                                                                                                                             | 2           | 8      | 8     | 18    |
| Other Compliance                                                                                                                                                                                                                                                                         | 1           | 4      | 2     | 7     |
| Compliance-Single Audit Procedures - Data Collection                                                                                                                                                                                                                                     |             |        |       |       |
| Submission                                                                                                                                                                                                                                                                               | 7           | 12     | 5     | 24    |
| Compile CAFR                                                                                                                                                                                                                                                                             | 4           | 16     | 6     | 26    |
| CONCLUSION SEGMENT                                                                                                                                                                                                                                                                       |             |        |       |       |
| CAFR Review with Disclosure Checklist                                                                                                                                                                                                                                                    | 10          | 18     | 16    | 44    |
| Letter-required communication - management recommendations                                                                                                                                                                                                                               | 2           | 2      | 2     | 6     |
| TOTAL                                                                                                                                                                                                                                                                                    | 41          | 106    | 89    | 236   |

## STATISTICAL SAMPLING

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

## EDP SOFTWARE

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

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

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

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

## ANALYTICAL PROCEDURES

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

## INTERNAL CONTROL STRUCTURE

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

## LAWS AND REGULATIONS

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

## AUDIT SAMPLES

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

## AUDIT APPROACH IN SUBSEQUENT YEARS

The audit approach will not differ in the planned staff level, samples sizes, test work, sampling techniques and other aspects in subsequent years of the engagement.

## IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

The work plan was created with no audit problems anticipated. However, if we encounter any problems, it is our policy to immediately discuss these problems with management and to agree to a course of action before proceeding.

## SAMPLE REPORTS

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

# Appendix A - Peer Review



## Report on the Firm's System of Quality Control

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

We have reviewed the system of quality control for the accounting and auditing practice of Henry & Horne, LLP (the "firm") in effect for the year ended May, 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

### Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

### Required Selections and Considerations

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

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

### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Henry & Horne, LLP in effect for the year ended May 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Henry & Horne, LLP has received a peer review rating of *pass*.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
September 18, 2019

*Your Success is Our Focus*

319 McClanahan Street, S.W. • Roanoke, Virginia 24014-7705 • 540-345-0936 • Fax: 540-342-6181 • [www.BEcpas.com](http://www.BEcpas.com)

# Appendix B - Bios

## BRIAN HEMMERLE, CPA, CFE



**Brian Hemmerle, CPA, CFE**

Audit Partner

Government Services

Phone: (520) 836-8201

Fax: (520) 426-9432

E-mail: [BrianH@hhcpa.com](mailto:BrianH@hhcpa.com)



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

### Areas of Expertise

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

### Professional Certifications

- Certified Public Accountant- Arizona
- Certified Fraud Examiner

### Education

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

### Affiliations

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

### Continuing Professional Education - A full list is available upon request

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

### Speaking Engagements

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



**Chuck Goodmiller, CPA, CGMA**

Co-Managing Partner

Audit Partner

Government Services

Phone: (520) 836-8201

Fax: (520) 426-9432

E-mail: [ChuckG@hhcpa.com](mailto:ChuckG@hhcpa.com)



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

## CHARLES (CHUCK) H. GOODMILLER, CPA, CGMA

### Areas of Expertise

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

### Professional Certifications

- Certified Public Accountant- Arizona
- Chartered Global Management Accountant

### Education

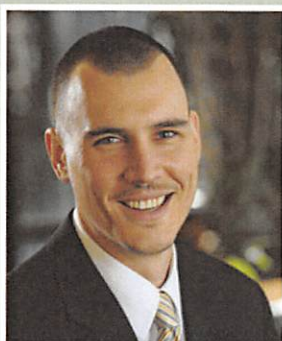
- Arizona State University (B.S. in Accountancy)

### Affiliations

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

### Continuing Professional Education - A full list is available upon request

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



**Nick Baldelli, CPA**

Audit Supervisor

Government Services

Phone: (520) 836-8201

Fax: (520) 426-9432

E-mail: [NickB@hhcpa.com](mailto:NickB@hhcpa.com)



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

## NICK BALDELLI, CPA

### Areas of Expertise

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

### Professional Certifications

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

### Education

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

### Affiliations

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

### Continuing Professional Education - A full list is available upon request

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

**Steven May**

Audit Senior

Government Services

Phone: (520) 836-8201

Fax: (520) 426-9432

E-mail: [StevenM@hhcpa.com](mailto:StevenM@hhcpa.com)

*I want clients to know that we take  
the time to get to know them well  
and really understand their needs.  
My goal is to be responsive and  
provide the excellent service they're  
looking for.*

**STEVEN MAY, CPA****Areas of Expertise**

Steven May provides audit, review, compilation and agreed upon procedures services to government entities. Before joining Henry+Horne in 2016, Steven worked for a national CPA firm in Phoenix where he provided assurance services to public and private for-profit businesses.

**Education**

- Northern Arizona University (Master of Business Administration)
- Northern Arizona University (B.S. in Accounting and Finance)

**Continuing Professional Education - A full list is available upon request**

- ASCPA Government Accounting Conference
- CACFP AUP and ELR Report Training
- Contributions Exchange vs. Contribution & Conditional
- GASB Update: What's New This Year
- Government Cash Flows
- Henry+Horne Annual Government & Nonprofit Conference
- Internal Control Tests and Sampling in an Audit
- LCQ + Single Audit Training

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

To the Honorable Mayor and City Council  
City of \_\_\_\_\_, Arizona

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

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Tempe, Arizona  
[Date]

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

To the Honorable Mayor and Council  
City of \_\_\_\_\_, Arizona

**Report on Compliance for Each Major Federal Program**

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

*Management's Responsibility*

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

*Auditors' Responsibility*

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

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

### *Opinion on Each Major Federal Program*

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

### **Report on Internal Control over Compliance**

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

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

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

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

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

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

Tempe, Arizona  
[Date]

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES

Directors Name  
COURT NAME, Arizona

We have performed the procedures enumerated in the State of Arizona Supreme Court's Minimum Accounting Standards, *Guide for External Reviews by Auditors Revised 5-4-2017* which were agreed to by the COURT NAME, on the court records of the COURT NAME for the year ended June 30, 2018. The COURT NAME's management is responsible for the court records. The sufficiency of these procedures is solely the responsibility of the COURT NAME. Consequently, we make no representation regarding the sufficiency of the procedures described in the State of Arizona Supreme Court's Minimum Accounting Standards, *Guide for External Reviews by Auditors Revised 5-4-2017*, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are enumerated in the State of Arizona Supreme Court's Minimum Accounting Standards, *Guide for External Reviews by Auditors Revised 5-4-2017*. The results of performing the procedures are included in the accompanying Summary of Exceptions.

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

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

Tempe, Arizona

**Date**

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council  
City of \_\_\_\_\_  
\_\_\_\_\_, Arizona

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

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

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

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

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

**Other Reporting Required by Government Auditing Standards**

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

Tempe, Arizona  
Date

## INDEPENDENT ACCOUNTANTS' REPORT

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

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

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

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

Tempe, Arizona  
[Date]



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

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

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

### Annual Accounting Updates Conference

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

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

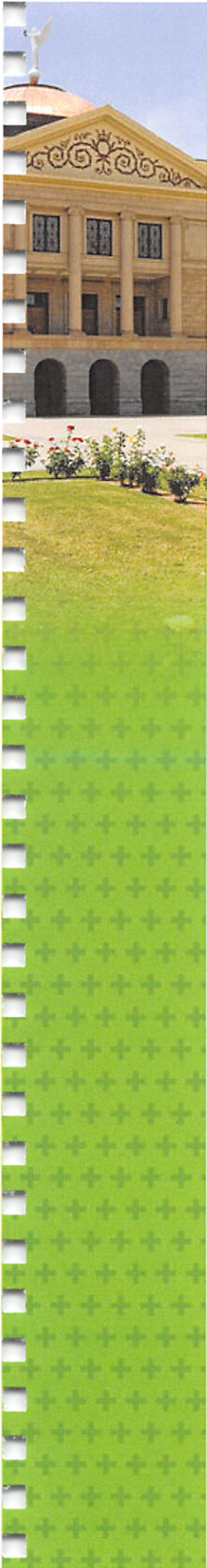
### Quality SEFA Prep: Brian Hemmerle, CPA, CFE

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

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

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

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



# Town of Chino Valley

## **COST PROPOSAL**

*(Firm and irrevocable for 90 days from the date proposal is due.)*

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

Brian Hemmerle, CPA, CFE, Partner  
BrianH@hhcpa.com

January 7, 2020

FEE PROPOSAL

## Professional Audit Services

| Fiscal Year 2019-2020           |                 |             |             |
|---------------------------------|-----------------|-------------|-------------|
| Staff Category                  | Number of Hours | Hourly Rate | Total Price |
| Partners                        | 30              | \$ 225      | \$ 6,750    |
| Managers                        | -               | \$ 200      | \$ -        |
| Supervisory staff               | 78              | \$ 150      | \$ 11,700   |
| Staff                           | 78              | \$ 125      | \$ 9,750    |
| Other (Please specify) Discount |                 | \$ -        | \$ (2,200)  |
|                                 |                 |             |             |
| Total - FY 2019-2020 Audit      | 186             | \$          | \$ 26,000   |

| Fiscal Year 2019-2020                         |                 |             |
|-----------------------------------------------|-----------------|-------------|
| Service Category                              | Number of Hours | Total Price |
| Single Audit                                  | 24              | \$ 3,500    |
| Prepare Comprehensive Annual Financial Report | 26              | \$ 4,000    |
| Other (Please specify)                        |                 | \$ -        |
|                                               |                 |             |
| Total All Inclusive Maximum Price             |                 | \$ 7,500    |

(Continued on next page)

## Financial Auditing Services

Amounts shall be not-to-exceed for all service categories. Proposed annual increase may not exceed 5% per contract year. Approved price increases may only be made by a written amendment signed by persons duly authorized to enter into contracts on behalf of the Town and the Consultant.

| Fiscal Years 2020-2021 through 2023-2024                 |             |           |            |           |
|----------------------------------------------------------|-------------|-----------|------------|-----------|
| Service Category                                         | Total Price |           |            |           |
|                                                          | Year 2      | Year 3    | Year 4     | Year 5    |
| Single Audit                                             | \$29,500    | \$ 29,500 | \$ 29,500  | \$ 29,500 |
| Prepare Comprehensive Annual Financial Report            | \$ 4,000    | \$ 4,000  | \$ 4,000   | \$ 4,000  |
| Municipal Court MAS Compliance for fiscal year 2021-2022 |             | \$ 3,500  |            |           |
| Other (Please specify)                                   | \$ -        | \$ -      | \$ -       | \$ -      |
| Total                                                    | \$ 33,500   | \$ 37,000 | \$ 33,500  | \$ 33,500 |
| Total for years 2 through 5                              |             |           | \$ 137,500 |           |

Rates for Additional Professional Services

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

Company Name: Henry & Horne, LLP

Authorized Signature:  Date: 1/7/2020



# All-Inclusive Maximum Price

## CERTIFICATION

Henry+Horne certifies that the individual signing this proposal is entitled to represent the firm, empowered to submit this proposal and authorized to sign a contract with the Town of Chino Valley.

## ALL-INCLUSIVE PRICING

The total all-inclusive maximum price for Town of Chino Valley for fiscal years ending June 30, 2020, 2021, 2022, 2023 and 2024 are as follows:

| YEAR | PRICING  |
|------|----------|
| 2020 | \$33,500 |
| 2021 | \$33,500 |
| 2022 | \$37,000 |
| 2023 | \$33,500 |
| 2024 | \$33,500 |

## OUT-OF-POCKET EXPENSES

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

## RATES FOR ADDITIONAL SERVICES

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

| LEVEL             | HOURLY RATE   |
|-------------------|---------------|
| Partner           | \$350         |
| Manager           | \$200 - \$260 |
| Supervisory Staff | \$150 - \$200 |
| Staff             | \$125 - \$150 |

# Rates by Audit Area

## Professional Audit Services

| FISCAL YEAR 2019-2020           |                 |             |             |
|---------------------------------|-----------------|-------------|-------------|
| Staff Category                  | Number of Hours | Hourly Rate | Total Price |
| Partners                        | 30              | \$225       | \$6,750     |
| Managers                        | -               | \$200       | \$-         |
| Supervisory Staff               | 78              | \$150       | \$11,700    |
| Staff                           | 78              | \$125       | \$9,750     |
| Other (Please specify) Discount |                 |             | (2,200)     |
| Total - FY 2019-2020 Audit      | 186             |             | \$26,000    |

| FISCAL YEAR 2019-2020                         |                 |             |
|-----------------------------------------------|-----------------|-------------|
| Service Category                              | Number of Hours | Total Price |
| Single Audit                                  | 24              | \$3,500     |
| Prepare Comprehensive Annual Financial Report | 26              | \$4,000     |
| Total All-Inclusive Maximum Price             |                 | \$7,500     |

## Financial Auditing Services

Amounts shall be not-to-exceed for all service categories. Proposed annual increase may not exceed 5% per contract year. Approved price increases may only be made by a written amendment signed by persons duly authorized to enter into contracts on behalf of the Town and the Consultant.

**FISCAL YEARS 2020-2021 THROUGH 2023-2024**

| Service Category                                         | Total Price |          |          |          |
|----------------------------------------------------------|-------------|----------|----------|----------|
|                                                          | Year 2      | Year 3   | Year 4   | Year 5   |
| Audit Financial Statements                               | \$26,000    | \$26,000 | \$26,000 | \$26,000 |
| Single Audit                                             | \$3,500     | \$3,500  | \$3,500  | \$3,500  |
| Prepare Comprehensive Annual Financial Report            | \$4,000     | \$4,000  | \$4,000  | \$4,000  |
| Municipal Court MAS Compliance for fiscal year 2021-2022 | -           | \$3,500  | -        | -        |
| Other (Please specify)                                   |             |          |          |          |
| Total                                                    | \$33,500    | \$37,000 | \$33,500 | \$33,500 |
| Total for years 2 through 5                              |             |          | \$       | 137,500  |

Rates for Additional Professional Services

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

**FY 2019/20 Auditing Financial Statements by Staff**

|                   | <b>Hours</b> | <b>Rates</b> | <b>Total</b> |
|-------------------|--------------|--------------|--------------|
| Partner           | 30           | \$225        | \$6,750      |
| Supervisor/Senior | 78           | \$150        | \$11,700     |
| Staff             | 78           | \$125        | \$9,750      |
| Discount          |              |              | (2,200)      |
| Total             | 186          |              | \$26,000     |

**FY 2019/20 Single Audit Services by Staff**

|                   | <b>Hours</b> | <b>Rates</b> | <b>Total</b> |
|-------------------|--------------|--------------|--------------|
| Partner           | 7            | \$225        | \$1,575      |
| Supervisor/Senior | 12           | \$150        | \$1,800      |
| Staff             | 5            | \$125        | \$625        |
| Discount          |              |              | (500)        |
| Total             | 24           |              | \$3,500      |

**FY 2019/20 Compile CAFR Services by Staff**

|                   | <b>Hours</b> | <b>Rates</b> | <b>Total</b> |
|-------------------|--------------|--------------|--------------|
| Partner           | 4            | \$225        | \$900        |
| Supervisor/Senior | 16           | \$150        | \$2,400      |
| Staff             | 6            | \$125        | \$750        |
| Discount          |              |              | (50)         |
| Total             | 26           |              | \$4,000      |

**FY 2021/22 MAS Auditing Services by Staff**

|                   | <b>Hours</b> | <b>Rates</b> | <b>Total</b> |
|-------------------|--------------|--------------|--------------|
| Partner           | 3            | \$225        | \$675        |
| Supervisor/Senior | 8            | \$150        | \$1,200      |
| Staff             | 13           | \$125        | \$1,625      |
| Total             |              |              | \$3,500      |

EXHIBIT B  
TO  
PROFESSIONAL SERVICES AGREEMENT  
BETWEEN  
THE TOWN OF CHINO VALLEY  
AND  
HENRY & HORNE, LLP

[Scope of Work]

See following pages.

## SCOPE OF WORK

### Financial Auditing Services

#### 1. Background Information.

##### 1.1 The Town.

- A. The Town is a municipal entity governed by an elected Mayor and Council that serves an area of 63 square miles with a population of approximately 12,000 according to the most recent census estimates.
- B. The Town's fiscal year begins on July 1 and ends on June 30.
- C. The Town is organized into 25 departments, with 98 employees and personnel costs of approximately \$7,992,000. An organizational chart of the Town is attached hereto as Attachment 1 and a list of Town key personnel is attached hereto as Attachment 2, both of which are incorporated herein by reference.
- D. The accounting and financial reporting functions of the Town are centralized.
- E. Detailed information on the Town and its financial reports can be found on the Town's website at: <https://www.chinoaz.net/198/Financial-Reports>.

##### 1.2 Finance Department; Document Preparation; Town Assistance.

- A. The Finance Department is headed by Joe Duffy (the "Finance Director"), who will be Consultant's principal contact and will coordinate assistance to be provided by the Town.
- B. The Finance Department has three employees. The principal functions performed by the employees and the number assigned to each are:

| <u>Function</u>                | <u>Number of Employees</u> |
|--------------------------------|----------------------------|
| Accounts Payable Processing    | 2                          |
| Payroll Processing             | 2                          |
| Cash Receipting                | 1                          |
| Banking                        | 1                          |
| General Ledger/Journal Entries | 2                          |
| Financial Statements           | 1                          |

- C. Finance Department staff and responsible management personnel will be available during the Audit to assist Consultant by providing information, documentation and explanations.

- D. The preparation of confirmations will be the responsibility of both the Town and Consultant.
- E. Report preparation, editing and printing will be Consultant's responsibility.
- F. The Town will provide Consultant with reasonable work space, desks and chairs as well as access to telephone lines, photocopying facilities and WIFI access while performing the Services on the Town's premises.

1.3 Information Technology; Computer System.

- A. Hardware consists of three networked PCs of various makes.
- B. Windows accounting software is used. All major applications are integrated.

1.4 Fund Structure. The Town uses the following 13 fund types and account groups in its financial reporting:

| <u>Fund Type</u>                            | <u>Number of Individual Funds</u> | <u>Number of Funds with Legally Adopted Annual Budgets</u> |
|---------------------------------------------|-----------------------------------|------------------------------------------------------------|
| General                                     | 1                                 | 1                                                          |
| Special revenue                             | 8                                 | 8                                                          |
| Debt service                                | 1                                 | 1                                                          |
| Capital projects                            | 1                                 | 1                                                          |
| Permanent                                   |                                   |                                                            |
| Enterprise                                  | 2                                 | 2                                                          |
| Interval service                            |                                   |                                                            |
| Private-purpose trust                       |                                   |                                                            |
| Investment trust                            |                                   |                                                            |
| Pension trust (and other employee benefits) |                                   |                                                            |
| Agency                                      |                                   |                                                            |

1.5 Budgetary Basis of Accounting. The Town prepares its budgets on a basis consistent with generally accepted accounting principles ("GAAP").

1.6 Pension Plans. The Town participates in the following defined benefit and defined contribution retirement plans:

- A. ICMA 457 Defined Contribution Plan
- B. ICMA Roth IRA

C. Public Safety Retirement System Defined Benefit Plan

D. Arizona State Retirement System Defined Benefit Plan

1.7 Component Units. The Town is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, component units are not included in the Town's financial statements.

1.8 Joint Ventures. The Town does not participate in joint ventures with other governments.

2. Nature of Services to be Provided.

2.1 Single Audit. Consultant shall perform a Single Audit (the "Audit") and express an opinion that the general-purpose financial statements are fairly presented, in all material respects, in conformity with GAAP and to report on the Town's compliance with laws and regulations and its internal controls as required for the Audit.

2.2 Comprehensive Annual Financial Report ("CAFR"). The Town prepares a CAFR each year and submits it to the Government Finance Officers Association ("GFOA") for review in their Certificate of Achievement for Excellence in Financial Reporting program. Auditor shall review the CAFR application prior to submittal to GFOA.

2.3 Municipal Court. External review of the Town of Chino Valley Magistrate Court every three years performed in accordance with the Minimum Accounting Standards, Compliance Checklist and Guide for External Review by Auditors. The next audit will be required for the fiscal year ending June 30, 2022.

2.4 Auditing Standards. The Audit shall be performed in accordance with:

A. Generally accepted auditing standards ("GAAS").

B. GAS.

C. The Single Audit Act Amendments.

D. The provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

- A. A report on the fair presentation of the financial statements in conformity with GAAP.
- B. A report on compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with GAS.
- C. A report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
- D. A report on the Annual Expenditure Limitation Report (AELR) prepared in compliance with ARIZ. REV. STAT. § 41-1279.07.
- E. A State of Arizona Highway User Revenue Fund (HURF) Compliance Report pursuant to ARIZ. REV. STAT. § 9-481(B)(2) .
- F. Auditor's letter of recommendations to management.
- G. Auditor's communication with governance.
- H. A schedule of findings and questioned costs.
- I. A schedule of expenditures of federal awards.

2.6 Reportable Conditions.

- A. In the required report on compliance and internal controls, Consultant shall communicate any reportable conditions found during the Audit. A reportable condition is a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to initiate, authorize, record, process, summarize and report financial data consistent with the assertions of management in the financial statements.
- B. Reportable conditions that are also individually or cumulatively material weaknesses shall be identified as such in the report.
- C. Non-reportable conditions discovered by Consultant shall be reported in a separate letter to management, which shall be referred to in the reports on compliance and internal controls.

2.7 Irregularities and Illegal acts. Consultant shall immediately give a written report of all irregularities and illegal acts, or indications of illegal acts of which they become aware, to the Town Manager and Finance Director.

2.8 Reporting to Town Council. Town Council shall be informed of the following:

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

3. Schedule.

3.1 Fiscal Year Ending June 30, 2020.

- A. All records and Town management personnel will be ready for meeting with Consultant as of September 30, 2020.
- B. Consultant shall provide all recommendations, revisions and suggestions for improvement to the Finance Director by October 31, 2020. A revised report, including a draft auditor's report shall be delivered to the Finance Director by November 15, 2020.
- C. The Finance Department will complete its review of the draft report in approximately one week. During this period, Consultant should be available for meeting to discuss the Audit reports.
- D. When all issues are resolved, the final signed report and 20 copies shall be delivered to the Finance Director within five working days. The Town will provide report covers.
- E. It is anticipated that this process will be completed and the final report delivered and submitted to GFOA by December 15, 2020.

3.2 Future Audits. A similar time schedule will be developed for future fiscal years if the Town exercises Renewal Terms.

4. Audit Documentation Retention; Access to Audit Documentation.

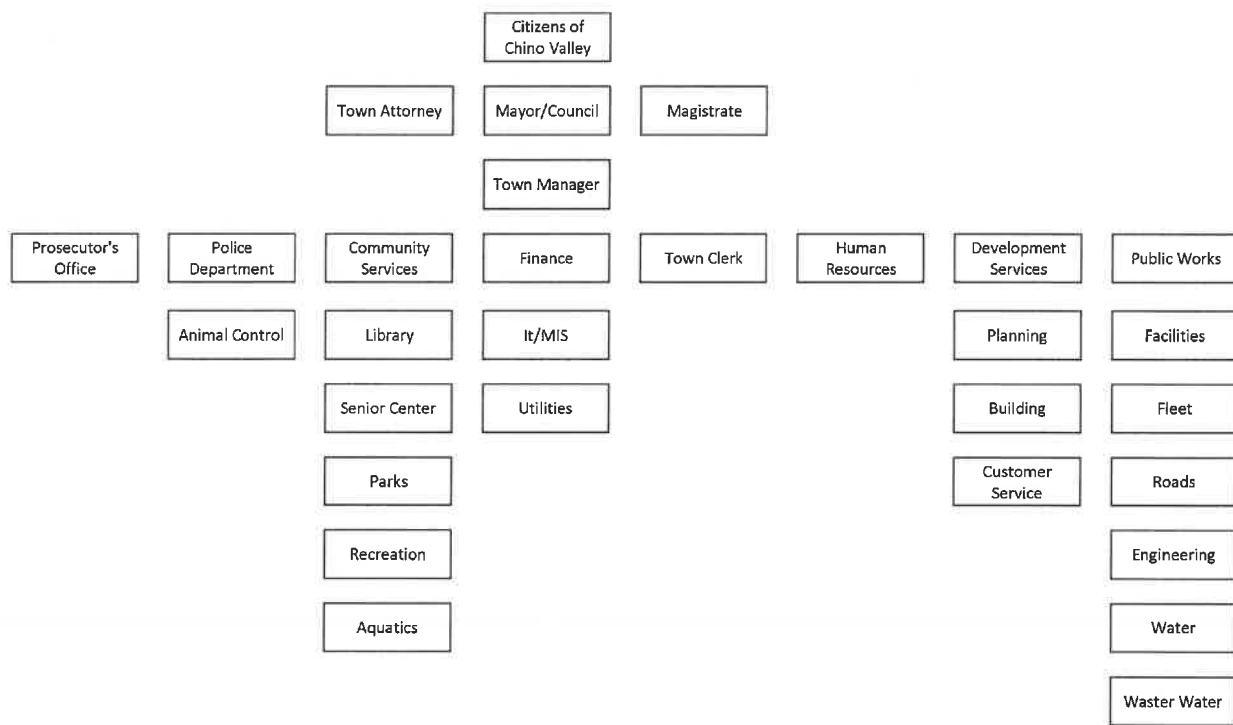
- 4.1 Retention Period. All working papers and reports must be retained, at Consultant's expense, for a minimum of five years, unless the Town notifies Consultant in writing to extend the retention period.
- 4.2 Authorized Parties. Consultant shall make working papers available, upon request, to the following parties or their designees:
1. The Town.
  2. The Auditor General or designated representative.
  3. The United States General Accounting Office.
  4. Other appropriate governmental agencies.
- 4.3 Successor Auditors. Consultant shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

ATTACHMENT 1  
TO  
EXHIBIT B  
TO  
PROFESSIONAL SERVICES AGREEMENT  
BETWEEN  
THE TOWN OF CHINO VALLEY  
AND  
HENRY & HORNE, LLP

[Organizational Chart]

See following page.

## Town of Chino Valley, Arizona Organization Chart



ATTACHMENT 2  
TO  
EXHIBIT B  
TO  
PROFESSIONAL SERVICES AGREEMENT  
BETWEEN  
THE TOWN OF CHINO VALLEY  
AND  
HENRY & HORNE, LLP

[Town Key Personnel]

See following page.

## **Key Officials and Staff**

Cecilia Grittman, Town Manager

Frank Marbury, Public Works Director

Jami Lewis, Town Clerk

Joe Duffy, Finance Director

Chuck Wynn, Chief of Police

Laura Kyriakakis, Human Resources Director

Scott Bruner, Community Services Director

Cyndi Thomas, Assistant Community Services Director

Kenny Tribolet, Public Works Manager

Joshua Cook, Development Services Director

Dan Trout, Chief Building Official

Michael Bovee, Utilities Manager

Spencer Guest, Information Technology Manager

Joann Brookins, Customer Service Manager

EXHIBIT C  
TO  
PROFESSIONAL SERVICES AGREEMENT  
BETWEEN  
THE TOWN OF CHINO VALLEY  
AND  
HENRY & HORNE, LLP

[Fee Proposal]

See following pages.

FEE PROPOSAL

## Professional Audit Services

| Fiscal Year 2019-2020           |                 |             |             |
|---------------------------------|-----------------|-------------|-------------|
| Staff Category                  | Number of Hours | Hourly Rate | Total Price |
| Partners                        | 30              | \$ 225      | \$ 6,750    |
| Managers                        | -               | \$ 200      | \$ -        |
| Supervisory staff               | 78              | \$ 150      | \$ 11,700   |
| Staff                           | 78              | \$ 125      | \$ 9,750    |
| Other (Please specify) Discount |                 | \$ -        | \$ (2,200)  |
|                                 |                 |             |             |
| Total - FY 2019-2020 Audit      | 186             | \$          | \$ 26,000   |

| Fiscal Year 2019-2020                         |                 |             |
|-----------------------------------------------|-----------------|-------------|
| Service Category                              | Number of Hours | Total Price |
| Single Audit                                  | 24              | \$ 3,500    |
| Prepare Comprehensive Annual Financial Report | 26              | \$ 4,000    |
| Other (Please specify)                        |                 | \$ -        |
|                                               |                 |             |
| Total All Inclusive Maximum Price             |                 | \$ 7,500    |

(Continued on next page)

## Financial Auditing Services

Amounts shall be not-to-exceed for all service categories. Proposed annual increase may not exceed 5% per contract year. Approved price increases may only be made by a written amendment signed by persons duly authorized to enter into contracts on behalf of the Town and the Consultant.

| Fiscal Years 2020-2021 through 2023-2024                 |             |           |            |           |
|----------------------------------------------------------|-------------|-----------|------------|-----------|
| Service Category                                         | Total Price |           |            |           |
|                                                          | Year 2      | Year 3    | Year 4     | Year 5    |
| Single Audit                                             | \$29,500    | \$ 29,500 | \$ 29,500  | \$ 29,500 |
| Prepare Comprehensive Annual Financial Report            | \$ 4,000    | \$ 4,000  | \$ 4,000   | \$ 4,000  |
| Municipal Court MAS Compliance for fiscal year 2021-2022 |             | \$ 3,500  |            |           |
| Other (Please specify)                                   | \$ -        | \$ -      | \$ -       | \$ -      |
| Total                                                    | \$ 33,500   | \$ 37,000 | \$ 33,500  | \$ 33,500 |
| Total for years 2 through 5                              |             |           | \$ 137,500 |           |

Rates for Additional Professional Services

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

Company Name: Henry & Horne, LLP

Authorized Signature:  Date: 1/7/2020



# All-Inclusive Maximum Price

## CERTIFICATION

Henry+Horne certifies that the individual signing this proposal is entitled to represent the firm, empowered to submit this proposal and authorized to sign a contract with the Town of Chino Valley.

## ALL-INCLUSIVE PRICING

The total all-inclusive maximum price for Town of Chino Valley for fiscal years ending June 30, 2020, 2021, 2022, 2023 and 2024 are as follows:

| YEAR | PRICING  |
|------|----------|
| 2020 | \$33,500 |
| 2021 | \$33,500 |
| 2022 | \$37,000 |
| 2023 | \$33,500 |
| 2024 | \$33,500 |

## OUT-OF-POCKET EXPENSES

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

## RATES FOR ADDITIONAL SERVICES

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

| LEVEL             | HOURLY RATE   |
|-------------------|---------------|
| Partner           | \$350         |
| Manager           | \$200 - \$260 |
| Supervisory Staff | \$150 - \$200 |
| Staff             | \$125 - \$150 |

# Rates by Audit Area

## Professional Audit Services

| FISCAL YEAR 2019-2020           |                 |             |             |
|---------------------------------|-----------------|-------------|-------------|
| Staff Category                  | Number of Hours | Hourly Rate | Total Price |
| Partners                        | 30              | \$225       | \$6,750     |
| Managers                        | -               | \$200       | \$-         |
| Supervisory Staff               | 78              | \$150       | \$11,700    |
| Staff                           | 78              | \$125       | \$9,750     |
| Other (Please specify) Discount |                 |             | (2,200)     |
| Total - FY 2019-2020 Audit      | 186             |             | \$26,000    |

| FISCAL YEAR 2019-2020                         |                 |             |
|-----------------------------------------------|-----------------|-------------|
| Service Category                              | Number of Hours | Total Price |
| Single Audit                                  | 24              | \$3,500     |
| Prepare Comprehensive Annual Financial Report | 26              | \$4,000     |
| Total All-Inclusive Maximum Price             |                 | \$7,500     |

## Financial Auditing Services

Amounts shall be not-to-exceed for all service categories. Proposed annual increase may not exceed 5% per contract year. Approved price increases may only be made by a written amendment signed by persons duly authorized to enter into contracts on behalf of the Town and the Consultant.

**FISCAL YEARS 2020-2021 THROUGH 2023-2024**

| Service Category                                         | Total Price |          |          |          |
|----------------------------------------------------------|-------------|----------|----------|----------|
|                                                          | Year 2      | Year 3   | Year 4   | Year 5   |
| Audit Financial Statements                               | \$26,000    | \$26,000 | \$26,000 | \$26,000 |
| Single Audit                                             | \$3,500     | \$3,500  | \$3,500  | \$3,500  |
| Prepare Comprehensive Annual Financial Report            | \$4,000     | \$4,000  | \$4,000  | \$4,000  |
| Municipal Court MAS Compliance for fiscal year 2021-2022 | -           | \$3,500  | -        | -        |
| Other (Please specify)                                   |             |          |          |          |
| Total                                                    | \$33,500    | \$37,000 | \$33,500 | \$33,500 |
| Total for years 2 through 5                              |             |          | \$       | 137,500  |

Rates for Additional Professional Services

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

**FY 2019/20 Auditing Financial Statements by Staff**

|                   | <b>Hours</b> | <b>Rates</b> | <b>Total</b> |
|-------------------|--------------|--------------|--------------|
| Partner           | 30           | \$225        | \$6,750      |
| Supervisor/Senior | 78           | \$150        | \$11,700     |
| Staff             | 78           | \$125        | \$9,750      |
| Discount          |              |              | (2,200)      |
| Total             | 186          |              | \$26,000     |

**FY 2019/20 Single Audit Services by Staff**

|                   | <b>Hours</b> | <b>Rates</b> | <b>Total</b> |
|-------------------|--------------|--------------|--------------|
| Partner           | 7            | \$225        | \$1,575      |
| Supervisor/Senior | 12           | \$150        | \$1,800      |
| Staff             | 5            | \$125        | \$625        |
| Discount          |              |              | (500)        |
| Total             | 24           |              | \$3,500      |

**FY 2019/20 Compile CAFR Services by Staff**

|                   | <b>Hours</b> | <b>Rates</b> | <b>Total</b> |
|-------------------|--------------|--------------|--------------|
| Partner           | 4            | \$225        | \$900        |
| Supervisor/Senior | 16           | \$150        | \$2,400      |
| Staff             | 6            | \$125        | \$750        |
| Discount          |              |              | (50)         |
| Total             | 26           |              | \$4,000      |

**FY 2021/22 MAS Auditing Services by Staff**

|                   | <b>Hours</b> | <b>Rates</b> | <b>Total</b> |
|-------------------|--------------|--------------|--------------|
| Partner           | 3            | \$225        | \$675        |
| Supervisor/Senior | 8            | \$150        | \$1,200      |
| Staff             | 13           | \$125        | \$1,625      |
| Total             |              |              | \$3,500      |

# **DRAFT**

## **MINUTES OF THE SPECIAL MEETING TOWN COUNCIL FINANCE SUBCOMMITTEE TOWN OF CHINO VALLEY**

**TUESDAY, FEBRUARY 25, 2020  
5:00 P.M.**

The Town Council Finance Subcommittee of the Town of Chino Valley convened for a special meeting in the Council Chambers Conference Room, located at 202 N. State Route 89, Chino Valley, Arizona.

**1) CALL TO ORDER**

Chair Croft called the meeting to order at 5:00 pm

**2) ROLL CALL**

Present: Chair Darryl Croft; Councilmember Corey Mendoza

Absent: Councilmember Cloyce Kelly

Staff Present: Finance Director Joe Duffy

**3) APPROVAL OF MINUTES**

- a)** Consideration and possible action to approve the January 14, 2020, regular meeting minutes.

MOVED by Councilmember Corey Mendoza, seconded by Chair Darryl Croft to accept the minutes from January 14, 2020.

AYE: Chair Darryl Croft, Councilmember Corey Mendoza

**2 - 0 PASSED - Unanimously**

**4) OLD BUSINESS**

**5) NEW BUSINESS**

- a)** Review and possible discussion of all Request for Proposals (RFPs) for financial audit services and possible recommendation to Town Council for approval. (Joe Duffy, Finance Director)

Committee members and Mr. Duffy discussed the following:

- Four proposals for financial audit services had been distributed at the previous meeting, one each from Heinfeld, Meech & Co., Henry & Horne, Hinton Burdick and Clifton Larsen Allen.
- Committee members agreed on Henry & Horne.
- Experience was comparable between all submittals.
- Henry and Horne had a history with small towns and this was an important factor. They are currently the Town's audit company and have done a good job.
- The slight cost difference between Henry & Horne and Hinton Burdick was not enough difference to make a change of vendors.

**6) ADJOURNMENT**

MOVED by Councilmember Corey Mendoza, seconded by Chair Darryl Croft to adjourn the meeting at 5:05 pm

AYE: Chair Darryl Croft, Councilmember Corey Mendoza

**2 - 0 PASSED - Unanimously**

Submitted: February 27, 2020.

By: *Erin Deskins, Deputy Town Clerk*

Approved: MONTH DAY, 2020.

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## **TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT**

### **Town Council Regular Meeting**

**6. c.**

**Meeting Date:** 03/10/2020

**Contact Person:** Erin Deskins, Deputy Town Clerk  
Phone: 928-636-2646 x-1210

**Department:** Town Clerk

**Item Type:**

---

#### **AGENDA ITEM TITLE:**

Consideration and possible action to approve the February 18, 2020, study session minutes. (Jami Lewis, Town Clerk)

#### **RECOMMENDED ACTION:**

Approve the February 18, 2020, study session minutes.

---

#### **Attachments**

02/18/20 SS draft minutes

---

# DRAFT

## MINUTES OF THE STUDY SESSION/RETREAT OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

**TUESDAY, FEBRUARY 18, 2020  
9:00 A.M.**

The Town Council of the Town of Chino Valley met for a Study Session/Retreat in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Tuesday, February 18, 2020.

Present: Mayor Darryl Croft; Vice-Mayor Jack Miller; Councilmember Cloyce Kelly; Councilmember Corey Mendoza; Councilmember Lon Turner

Absent: Councilmember Mike Best; Councilmember Annie Perkins

Staff Town Manager Cecilia Grittmann; Finance Director Joe Duffy; Human Resources Director Laura Kyriakakis; Lieutenant Randy Chapman; Economic Development/Project Manager Maggie Tidaback; Public Works Director/Town Engineer Frank Marbury; Water Consultant Mark Holmes; Development Services Director Joshua Cook; Customer Service Manager JoAnn Brookins; Community Services Director Scott Bruner; Assistant Community Services Director Cyndi Thomas; Administrative Technician Kathy Frohock (videographer); Deputy Town Clerk Erin Deskins; Court Administrator Ronda Apolinar; Town Clerk Jami Lewis (recorder)

**1) CALL TO ORDER; ROLL CALL**

Mayor Croft called the meeting to order at 9:02 a.m.

**2) Opening remarks by Mayor Croft - Ice breaker**

Mayor Croft stated that it was a large agenda and the goal was to cover all topics and adjourn the meeting no later than 1:30 p.m. Any topic not discussed would be covered at a Council Study Session before the next Council Meeting.

**3) Consideration and discussion regarding off-site signage. (Joshua Cook, Development Services Director)**

Development Services Director, Joshua Cook, presented the following:

- Members of the business community had brought up the issue regarding their inability to put up business signage on Highway 89 because of being offset from the highway.
- Council had directed staff to put together offsite signage ideas for businesses without direct frontage.
- Staff had 11 points that needed to be addressed for a possible offsite signage ordinance. Staff could not find a community that had such an ordinance and it would be unprecedented.
- An issue with the ordinance was that the Town would be allowing a sign on someone else's property, so an ending point should be provided, with an option to renew. This would provide some protection for the property owner allowing the sign on their premises.

Staff Ordinance Recommendations:

1. Businesses, or the closest property boundary on which they are located, shall be no further than ¼ mile from State Route 89. Public or Institutional uses may request additional distance to the above stated ¼ mile through a conditional use permit. This would allow other uses, for example churches, to request offsite signage.
2. The business owner shall obtain permission from an owner of commercial property fronting on SR 89 and a lease of land for a newly constructed sign, or signed statement allowing the business located off-site to add their business nameplate to an existing freestanding or monument sign. Staff suggested consideration for requiring a co-location on an existing sign so a proliferation of signs did not become an issue.
3. Permission from the owner of commercial property shall include a specific time limit or expiration date for the off-site signage. After such time the permission shall either be renewed or the sign removed.
4. Off-site signage shall require a sign permit. The Owner's (of the property) signature shall be required on the application.
5. Off-Site signage shall conform to all other aspects of permanent signage as defined in Section 4.21 of the Unified Development Ordinance (i.e. freestanding, monument, etc.).
6. Off-site signage shall not be allowed on vacant property.
7. The business requesting off-site signage shall be required to have a permanent sign on-site prior to approval of any off-site signage.
8. No temporary or auxiliary off-site signage shall be permitted; such signage shall only be allowed on the property on which the business is located.
9. All off-site signage shall comply with the Outdoor Lighting ordinance found in UDO Section 4.24.
10. Signage, when constructed, shall meet minimum required setbacks, and is prohibited from being located in the public rights-of-way.
11. The Town shall not provide legal advice, direction, or act as a negotiator between property owners.

Council and Staff discussion regarding the Ordinance recommendations:

- Council discussed what would happen if the property were sold. Staff thought a change of ownership of the property owner most likely would require a new sign permit. Council members disagreed and thought it would be like any lease in that a new property owner may be obligated to abide by the lease or agreement terms. Staff would obtain clarification from the Town Attorney.
- The Council would need to determine if the square footage of the sign would count against the property owners own sign square footage limitations or if it would be part of the allowed square footage of the offsite business. Some Council Members thought it may be counterproductive to take away the square footage of the offsite business by diminishing their onsite signage because of an offsite sign. Staff explained that there were already multiple types of signs that could be incorporated by the offsite businesses without allowing them additional square footage.
- The number of offsite signs on a frontage business could be limited through the use of co-locating. This would eliminate multiple signs on the frontage business property.
- The prohibition of offsite signs on vacant land was because of the primary accessory uses' regulation. If there were no primary use on a vacant property, why would the Town allow a sign on the property. Anything on a property had to be an accessory to or a primary use.
- Town was not supposed to regulate signs by content and since this issue was originally

addressing businesses but would have excluded non-businesses. The first recommendation could include businesses that were further than ¼ mile away if the Council wished. There was also the new option of the Grand Canyon signage that advertised businesses for a nominal monthly fee. To allow businesses that were further than ¼ mile from the highway the option to use offsite signage could create an overabundance of signs on the highway.

- There needed to be a limit to the number or size of the offsite signage on the frontage property. The freestanding sign limit of businesses would be transferred to the frontage business and should not get too out of hand

**Public Comment:**

Dan Brundage, Affordable Auto Repair, did not care how the Town handled the off-premises signs as long as he could get a sign on the highway. If a frontage property owner was willing to allow off-premises signs, it was a good idea, but charging a high monthly lease fee should be prohibited.

**Conclusion:**

Staff would work with the Town Attorney to address and finalize the Council questions and get it forwarded to the Planning and Zoning Commission.

- 4) Consideration and discussion regarding the Town's water future. (Mark Holmes, Water Resources Consultant)

Water Resource Director Mark Holmes presented the following:

**Main Topic Points:**

- The water vision topics of the General Plan
- The meaning of sustainable water use
- Smart growth in relation to water.
- Public versus private water service
- Questions to the Council regarding the future priorities, challenges, and opportunities

**The General Plan Vision:**

- Expansion of business, housing varieties, transportation options while maintaining farming, recreation, environmental assets and small-town image at the same time that the Town was growing.
- The Town's greatest assets: lifestyle, scenery, open space, air quality, water quality
- The Town's greatest concerns: lack of employment, business opportunities, water resources, neighborhood upkeep, and road improvements.
- Opportunities needed: business expansion and job variety, business park employment, neighborhood shops and caf  s, major retail store development, community cores, parks and trails, and health and medical care facilities.

**General Plan Water Resource Vision:**

- Encourage sustainable water resources and protect water quality as the town grows.
- Widely accepted meaning of the term sustainable: integrated social, economic and environmental components into all designated water uses that protect and restore water

quality and water quantity.

Council, staff and Mark Holmes continued to discuss the following:

- *Water Rights*: Town had robust water rights and there was no limit to how much water the Town could serve. It could expand its infrastructure and serve non-subdivisions requiring a certificate of assured water supply. The Town could serve non-subdivision residential, commercial or industrial.
- *Line extensions*: The Town could consider developing satellite service areas with new or existing water wells, a reservoir, pump station and limited service area instead of extending long water and sewer lines. The Town would start with a temporary type one mobile water right until there were enough customers to obtain the service area right. In time the two service areas would meet and join. It was a common standard practice within the state. Private companies had a Certificate of Convenience and Necessity (CCN) that defined their boundaries and the Town could serve adjacent to it or there could be overlapping service with parallel lines in the street if the private company did not want to serve the entire service area.
- *Big Chino*: The Town had the ability to import water from the Big Chino, and had the only import permit issued by the State.

*General Plan Water Resource Goals:*

1. Encourage a water resource management and protect water quality accomplished through streamlined subdivision regulations and expediency and flexibility. Ensure major and minor subdivisions complied with ADWR assured water regulations, add procedures for five or less lot developments for non-assured water supply service, and encourage shared wells through parcel splits and compliance with state and county regulations.

*Shared Well Advantages:* The advantage of a shared well was, if there were a five-lot development and each lot had an exempt well, the lot with the deepest well would be the long-term winner and the shallower wells could be impacted. A shared well provided noncompetition for the water supply. The water levels of the aquifer were dropping due to over drafting. There was no direct advantage to the Town, but it provided consumer confidence and security to the residents that were invested in the well. It would be a quasi-HOA with a contract.

2. Expand indoor/outdoor water conservation and rain catchment through education to existing home and business owners and regulation method for all new construction. This could be accomplished through distribution of water conservation technique brochures, incentives for replacement of lawns with drought tolerant vegetation, incentives for replacement of high water use showers and toilets with low flow fixtures in older homes, and discourage high water consuming businesses.
3. Promote the expansion of the Town's municipal water distribution system and sewer collection system, and expansion of the reclamation facility. This would be accomplished through endorsement and publicizing the importance of a municipal utility expansion, protection of the water resources and the economic development aspects; form and expand the citizens committees to hold public education workshops to promote understanding of the utility expansion; produce pamphlets, diagrams, and tables that explained locations and potential economic benefits for the utility expansion; explain the financial benefits to all property owners by the

expansion of utility systems along the Highway 89 corridor; emphasize the development of expansion where utilities existed and were the starting point for the expansion.

4. Increase future water resource augmentation for Town. This would be accomplished by working cooperatively on a regional basis in support of long-range importation of Big Chino water to the tri-city area. Town could also continue working on the existing town specific water augmentation projects and moving them forward. The timeline of the Big Chino importation was unclear, so the Town needed to continue working on current projects.
5. Encourage new residential development to install paved roads designed with proper construction material and drainage features to control dust and erosion. This could be accomplished through upgraded regulations for road design commensurate with projected traffic volumes. It could also be added that the Town could examine new water and sewer infrastructure expansion projects with new roads. Additionally, examine new street designs that could provide storm water for passive street landscapes and the residential, commercial and industrial element.
6. Update regulations for paving driveways, parking areas, and storm water requirements for business uses. This would be accomplished by adding green technology such a permeable surface that help control dust, storm water, and drainage; encourage bio-retention storm water areas to help with purification and infiltration of the storm water back into the aquifer; increase the recharge into the aquifer; and decrease allowable slope percentages at standard retention ponds to allow for vegetation growth on the slopes versus riprap, which leads to erosion issues.
7. Assess new development for potential air and water impacts. This would be done through green business development, nonpolluting businesses and discourage high water consuming businesses. A high water consuming business example would be a water bottling company that took the water without recharging it back into the system.

Council, staff and Mark Holmes discussed the following:

*Smart Growth in relation to water:*

Why the Town became Incorporated:

- The Town was the expert at entitling land and was assisting property owners at entitling their property in a way that accommodated smart growth and improved the entitlement through the enhancements of more organized smart growth. The Council were the champions of how the community would grow smarter than if the Town was not incorporated and the County were in charge.
- Smart growth included housing, transportation, recreation, resource management, economic prosperity, better social engagement, and environmental protection.
- The results in poorly entitled land with growth led to unaffordable homes, lost farms and ranches, congestion sprawl growth, and worsened environmental conditions.

*What is Smart Growth in relation to water:*

**The top ten accepted concepts for smart growth:**

1. Mixed land uses (community core). Developing community cores with mixed land uses that put residential, commercial and recreation uses close together. It would provide a more walkable and bikeable community, easily accessible amenities, allowed for a more diverse population, and made the area attractive and safe for residents. It also built communities around public spaces and reduced pollution.
2. Compact building designs. It made efficient use of land and water, preserved more open space, reduced the needed resources for the developments, and promoted rainwater filtering and recharge.
3. Create a range of housing opportunities. Provided quality and affordability for people of all income levels by allowing new construction and development, integrating single and multifamily housing support and supporting more diverse populations, utilizing different forms of housing and allowing for and accommodating increased densities without radically changing the landscape. It could be achieved without changing the Town's look.
4. Create walkable neighborhoods. A walkable community was a desirable place to live, work learn and play and a key towards smart growth. A walkable community made pedestrian activity possible especially for children, created street scapes for a range of users (walk, bike, equestrian), and ensure safe and inviting pedestrian corridors.
5. Community with a strong sense of place. A vision with development standards that respected the community's values. It used natural and man-made boundaries for neighborhoods, encouraged the construction and preservation of buildings that were assets to the community quality (don't lose the Town's heritage), and the community quality would help to retain the Town's economic vitality over time.
6. Preserve open space. Natural areas that provided important community space, habitats for wildlife, recreation, farms and ranches, places of natural beauty and critical environmental assets, removed developmental pressures from the areas, redirects new growth to develop in the right areas, mitigates noise and air pollution, and protected surface and groundwater resources.
7. Strengthen and direct development towards planned growth areas. Redeveloping vacant lots, old buildings, parking lots and directing growth towards the existing core development areas which provided more cost-effective development.
8. Provide a variety of transportation choices. Provided people with more choices by providing a multi-mobile transportation corridor.
9. Make development decisions that are predictable, fair and cost effective. Only private capital and markets could supply the capital needed to meet the growing demands for smart growth. The value of property and desirability were affected by government investment in infrastructure and regulations.
10. Encourage community and stakeholder collaboration in development decisions. It created a great place to live, work and play if the community responded that way and it provided the vital important innovative feedback that the Town wanted to hear and then incorporating those ideas.

**Town accomplishments and successes:**

- Business Park zoning at Old Home Manor (OHM)
- Integrated Water Master Planning at OHM
- New Economic Development and Development Services positions filled
- Sign package for municipal buildings
- Rewrite of the UDO to a more user-friendly code
- Agreements for Business Parke improvements to make it business ready
- Regionalization for economic development in the Quad-City area
- Award of contract for the public shooting-range

- Town's 50th Anniversary book completed
- RFP out for R.V. Park at OHM

Staff added that the gas line to OHM was also underway.

*Public Versus Private Water Utilities:*

There were already public and private utilities in Town.

**Pros for public utilities:**

- Local control – Public officials keep local control of the vital public resources.
- Water customers have direct input – through public meetings.
- Municipal providers are transparent – open meeting laws and open public hearings regarding activities.
- Municipal water providers operate to break even – provide the highest quality of water at the lowest possible price. Enterprise funds were not for profit and excess funds were used for capital improvement projects.
- Municipal water providers want to serve the entire community
- Municipal water providers can use provisions of service for smart growth – the Town could influence how water was used for smart growth through efficiency and increased conservation.
- Municipal water providers work diligently towards fair and equitable pricing – regardless of income levels.
- Municipal water service rates were kept as low as possible
- Municipal sewer rates were kept as low as possible
- Municipal water rate increases were at annual rate inflation - the cost of doing business goes up annually.
- Municipal water providers use competitive bid processes.
- Municipal water providers keep costs to a minimum.
- A review of municipalities that took back operation of private utilities averaged a 21% reduction in operating costs for water and sewer.
- Municipal water providers have access to inexpensive money.
- Municipal water service is carried out with standards and best management practices.
- Municipal operators are subject to engineering standards and implement the best available technology.
- Municipal water providers use standards to ensure adequate workforce and levels of quality water service.

Staff explained the town had municipal sewer that was on private water and it made it difficult to get paid when dealing with those type of customers, but when on both town water and sewer, the meter could be shut off.

**Cons for private utilities:**

- Private or third-party water companies are accountable to their boards and investors not the public.
- Decisions were based behind closed doors or closed meetings, there were few opportunities for the public to have input.
- Nor requirements for transparency
- A private or third-party water provider has a goal of profitability
- A private or third-party water provider often cherry-pick water extension projects that exclude low income communities where water usage was low and building issues hurt the corporate profits.

- A private or third-party water provider often partner with developers creating sprawl developments serve certain developments and no one in between developments.
- A private or third-party water provider may undermine fair and equitable pricing through rate hikes, disconnections, and inadequate utility investments that lead to economic consequences.
- For a typical household, private or third-party water service cost 59% more than municipal or \$185 more per year.
- Private or third-party sewer charge 63% more than municipal sewer.
- Private or third-party water utilities rates increase at about three times the annual rate of inflation with an average of 18% every other year.
- A private or third-party water providers do not usually use a bid process.
- A private or third-party water providers have increase costs due to corporate profits, taxes, dividends, and non-competitive bid processes.
- Municipalities that implemented private water service saw an increase of 25% for administering a contract.
- A private or third-party water providers use a mix of equity and corporate debt.
- A private or third-party water providers have maintenance backlogs and wasted water.
- Many private utilities cut corners.
- Privatization of water service areas have seen a cut of the water labor force of one in three positions.

Private utility companies were meeting with the Arizona Corporation Commission to primarily address rates. Private and public water suppliers were required to under ADEQ to provide an annual water quality report.

Mark Holmes requested Council discuss their views. The following issues were discussed by Council:

What opportunities should be embraced for current and future growth, growing smarter and that provides a benefit to the community?

Council members had the following comments:

- Within 20 years, all the private water companies belong to the Town and new infrastructure to put treated water back in the aquifer without increasing the number of wells.
- Private industry was more effective than the government and the statistics from the EPA were not valuable because the EPA was a corrupt outfit. Mr. Holmes explained both the EPA and the Food and Water Watch, which was a respected organization, provided the data.
- The procurement process versus private industry was slanted to pro-municipality. Private water companies could put water and sewer lines in the ground for less money than the Town. There were concerns voiced that the water from private companies was not put back into the aquifer. Without the proper infrastructure, the water would not go back in and the aquifer would continue the overdraft water use.
- Agreed that if roads were built or improved, water and sewer lines needed to be put in at the same time. Infrastructure growth was also important, especially sewer so the water could be charged back to the aquifer and stop untreated water from going back into the ground.
- Infrastructure was critical and the water and sewer combined could bring potential companies.
- If the Town wanted to bring business to the community, there needed to be work on the infrastructure, but it was expensive to get to the point they needed to be. Everything needed to go through recharge and no more new wells, but that was a fantasy. There were large pieces of property in the community and the cost of running lines to get the recharge

was high and it was an unrealistic wish list except on new developments. There was no way to eliminate private wells and hook that water to a sewer system. Prescott was recharging, but there was a lot of ground between Chino and the airport area and most likely they were pulling more from the aquifer than they were recharging, if they were recharging it at all. If Prescott wanted to do the right thing, they should run a line from the airport to Chino, and they should recharge into the aquifer they were pulling from. If water were to be taken from the Big Chino aquifer, in order to satisfy all the interested people, the water pulled from the Big Chino would need to be recharged back into the headwater of the Verde River. If Prescott could get their recharged water to Chino, in time Chino could get it to the Big Chino. As part of the Quad City areas, Prescott had the obligation to figure out how to fund it because it was their future too.

- The goal was not to take private wells, but private water companies. The wells of private individuals were off limits. The more wells brought into the system, the cheaper it made the water and sewer for the customers.
- A long term projection of use and needs would come from the Water Master Plan.

#### **Public Comment:**

Stanley Vorce questioned if there was a way for Prescott to recharge the Little Chino aquifer, which they were pulling water out of, in a quicker and more efficient way. The deep well recharge was an 80 to 100 year process and if the overdraft continues eventually only air would be drawn instead of water. Mr. Holmes explained that Prescott was recharging their water at a recharge facility. They were recharging their reclaimed water, treating and recharging similar to the Town. They were drawing water from the Little Chino, as was everyone in the area, but like the Town, they were putting water back. Exempt wells with private septic systems were not putting water back into the aquifer as efficiently or not at all. There could be municipal cooperation to further examine the situation. Mr. Vorce recommended visiting the Citizens Water Advocacy Group (CWAG) online, because they shared the same concerns and thoughts and the Little Chino was in peril and the Big Chino was not being used. It was explained by Council that CWAG was not supportive of the Town's goals. Their main goal was to keep private wells but those wells did not recharge which was a huge issue. The Town needed new developers with private wells to recharge back into the aquifer. Everyone agreed there needed to be a meeting of the minds.

#### **What were the limiting factors/challenges that the Town needed to overcome to achieve smart growth, Regulations, water supplies, infrastructure and other components?**

Council members had the following comments:

- Revenues and how to appropriately spread it out.
- The infrastructure was the most important thing for the Town's growth, but it took money. It would be a struggle for the Town for a long time, and they could only work towards their goals. The benefit of the Town was they did have water, but building out the infrastructure would be a long hard struggle.
- Mr. Holmes stated that the Town was experiencing growing pains, and maybe the development of infrastructure would be baby steps, with a small portion of the lines developed every year. As the infrastructure grew, a more reliable water system was being developed and more customers were being brought in.

#### **Public Comment:**

Stanley Vorce questioned how Prescott could be encouraged to come up with the initiative to help the Town in recharging the aquifer because it was important to their future as well as the Town's. Staff stated Prescott had taken on a more cooperative nature than they had in the past.

Had the factors and challenges been thoroughly identified, analyzed and quantified that currently limited the activities of Town? Had something been missed that Council wanted as a priority? Should the Town expand its water and sewer utilities?

- Council: Questioned if the Town should focus on maintaining what they already had versus expanding. There needed to be both. If the Town did not grow, it would die, but how much growth could the Town afford. If what the Town already had was not maintained, would any economic growth potential die? The current roads needed to be funded. Staff explained that water and sewer extensions were paid through enterprise funds and could not be used for roads.
- Staff: The strategic expansion of the utilities was important. The connection fees could be waived to help get customers on the system.
- Council: The Town needed a plan to help determine the projects and needed to determine if other projects or funding needed to be cut to help fund maintenance of the roads. The Town would be better served to invest in the commercial corridor because investing the money in the residential area would be a slower return on the money.

Mr. Holmes: Questioned what return could be expected if utility lines were run down State Route 89 corridor. If the economic growth brought in twice the revenue it took for the expansion, and the funding could work in tandem, would it justify the expansions? Studies would show the cost of infrastructure and could also anticipate the timed payback.

Council members had the following comments:

- The economy was cyclical and would have a downturn, and the Town should be sure to have reserved funds for those difficult times.
- Any sewer lines south of Perkinsville could be gravity fed to the treatment plant, but anything North of Perkinsville would need to be pumped and the cost would increase exponentially.
- Then finance committee needed to determine the available revenue funds, where it would be used and what could be used for roads, water and sewer.
- Infrastructure demands needed to be continually examined, but if the Town listened to the public, the roads needed to be funded. Until the roads were funded, there was not any money to do anything else since citizens did not want higher taxes to pay for those roads. Six to seven percent of the Town's budget would cover roads Town could cut the budget across the board with every department in the Town getting a six percent cut so that a road's maintenance program could be funded. The other alternative was to let the citizens come and demand the roads be fixed and fund the Town to do it. The election showed the citizens wanted the roads fixed but were unwilling to pay anything to do it.

Should the Town develop new or modified mixed land use plans that are supported within the General Plan that are predictable, fair, and cost-effective? What do these look like?

- Council: The business park was a stand-alone development area. Mixed land use was already in Town and the Town had been conscientious about rezoning and development needs without going overboard and mixing incompatible uses.
- Staff: Questioned if senior communities, which had been a big deal several years ago but had not been brought up recently, were still a local need. It was still a development need but it was a big investment and the return on the investment was unclear. The Town was

open to that type of development. Staff explained the median age of the community was 65, which qualified it as a retirement community, as was the entire county. This often times will disqualify an area for senior specific community developments.

- Council: At a recent governor's session, it was stated that Yavapai County was a target growth area. People were coming with money, but may not want acreage. Other people were coming from Northern California after getting insurance payoffs with cash in hand.

Council took a break at 10:46 a.m. and reconvened at 11:00 a.m.

Senior Planning Position:

Human Resource Director Laura Kyriakakis introduced Hans Friegal, who had interviewed for the Senior Planner position and was extended a verbal offer, and they were hoping to close the deal that day. He had an extensive background in planning, and he would be a great addition. Mr. Friegal introduced himself and detailed his seven-year certified planning background.

a) Water and Utilities Subcommittee report.

Council Member/Chair Turner reported the following:

- The Committee studied three different water study options for OHM to look at the water availability.
- Satellite Water System Study
- Highlands Ranch Well withdraw area and whether drilling a replacement well in another area would be valuable.
- The Committee also discussed water utility expansion on the Peavine Trail with the planned loop and the possibility of continuing along the trail instead of an expansion on Road 1 East so there would be no road work. Staff would get the cost of plans for this proposal.
- Staff explained that some members had wanted to research sewer along Highway 89 coming from Perkinsville Road to connect with some commercial and residential properties. The committee wanted staff to look into the viability of sewer along Hwy 89. The Wine Glass acres area should also remain a future consideration.

**Recommendations:** Move forward and stay with the OHM study. The satellite water system would depend on any negotiations with the City of Prescott. Maintain control of the Highlands Ranch area because the withdrawal authority was an asset that could be used in the future but not something that should be funded currently. The focus would remain on OHM. The funding for OHM studies was budgeted at \$250,000 for water resources, water system, and capital improvement plan, and the finished plan came in at \$287,000 with a contingency of \$25,000 for possible sewer monitoring. It was on the next Council agenda

b) Sewer plant capacity. (Frank Marbury, Public Works Director/Town Engineer)

Public Works Director Frank Marbury reported the following:

- Sewer Plant Design: The sewer plant was designed for 500,000 gallons per day, so when it hit 400,000 per day, the Town needed to be under design, at 450,000 it needed to be under construction. The facility was averaging approximately 20,000 gallons more per year or about 100 additional homes. The Utilities Committee believed there was enough time to wait and evaluate it again in the next budget year process (FY2022).
- Septage Receiving: There were current needs that tied into the septage issue. The equalization basin was still needed as were the blowing units and septage receiving. All

three were tied together in the OHM study, which was currently underway. The results would be presented to Committee when it was complete. Staff should have information on the demand side of septage receiving within a month and the complete finalized study within a few months. Some construction might be possible in FY21 if the funding was available.

- c) Update on Enterprise Funds. (Joe Duffy, Finance Director and Frank Marbury, Public Works Director/Town Engineer)

Finance Director Joe Duffy reported the following:

- Enterprise funds: Both funds were solidly in the black, with healthy revenues for both water and sewer funds. New homes were helping to keep the funds healthy.
- Sewer Rate: Staff would do an additional analysis, and hopes to continue reducing the sewer rate each year to get close to the State average.
- Preliminary Projections: Staff had not met with most of the departments. Once staff knew the budget priorities, they would meet with the departments to determine what was needed to reach the priorities, until then all the numbers presented were preliminary.
  - Water Enterprise Fund: Over the next five years, the water systems fund balance, should grow \$100,000 per year with the current rate and a small growth factor. The money would be available for capital expansion. The Town was at year three of a five year rate plan, with a three percent rate increase. The regressive rate schedule was trying to encourage water conservation.
  - Sewer Enterprise Fund: It was increasing approximately \$200,000 per year, but his fear was that it was driven by new home construction and there were only a few lots left at Bright Star and Highlands Ranch for development. There were no other large subdivisions that would be connecting to the sewer utilities. The projections would be going down because the same number of homes would not be added unless another large development came along. Staff said there were a couple developments in the process, but the timeline was unknown. Some strategic extensions could be accomplished. The funds were in stable condition.
  - Repair/replacement Fund: It was fully funded with Water Infrastructure Finance Authority (WIFA). There was funding in the bank for repairs and replacement. The only requirement was that money be put into the fund annually.
- Council: Requested a sewer plant expansion cost before reducing any rates. Other members thought the Town needed to get the rates down, as promised to the citizens, to be inline with the rest of the State.

- 5) Consideration and discussion regarding roads. (Frank Marbury, Public Works Director/Town Engineer; Councilmember Corey Mendoza)

- a) Roads maintenance / Roads and Streets Committee report.

Mr. Marbury and Councilmember Mendoza discussed the following:

- Funding: The typical annual budgeted amount for roads was \$350,000, but the current year was more. It had been as low as zero when the economy was down. Staff reviewed funding and funding sources for past years.
- 2021 Road Projects: In order to check off all the needed road projects, the Town would need \$7.7 million. The committee whittled the list down and came to a consensus.

**Recommendation**: Focus on arterial roads with a \$350,000 budget.

- The secondary roads could not happen and the subdivisions would not get any funding for road work.
- Road 2 North was getting bad, and the committee agreed it needed to be saved before it completely came apart. It would only be a pavement repair with no infrastructure expansion. The work would happen either before or after the Road 1 North traffic light project.
- Road 1 South and Road 1 East intersection was only patch material and needed to be repaired. It was a high priority of the committee.
- The committee would also evaluate Road 3 South. There was a lot of water that crossed the intersection when it flooded.
- The committee wanted to push the Council to get more funding for the roads. To maintain the roads, \$1.5 million was needed annually, to improve, \$2 million was needed annually.

Available Funding: The funding issue needed to be reviewed by the finance committee. Finance staff thought there was \$400,000 available. One of the things to consider was the General Fund Reserve was at \$5.8 million. Per code, a \$3 million balance was required, leaving 2.8 million extra funding. The Town could use \$500,000 for roads. It was a proposal that would be brought to the finance committee for consideration. The Town had approximately \$300,000 in additional funding annually that went into the reserve fund. The Town could pre fund the HURF funds with the anticipated annual overages.

Road Maintenance Plan: Staff explained that if the Town was going to be putting money into roads, there should be an organized road maintenance and pavement management plan. It would objectively prioritize the roads, give the numbers for the deferred maintenance, and would develop the five and ten year capital improvement plan to ensure the funding was used appropriately.

State Tax Funding: A proposed bill for road additional HURF funding would most likely not pass the Governor's desk and the Town should write a Resolution in support of the bill.

- b) Road 2 North road maintenance.

Council determined this item did not need to be discussed.

- 6) Consideration and discussion regarding departmental initiatives for Fiscal Year 2020/2021.

- a) Capital projects by department.

Town Manager Gritman and Finance Director Duffy presented the following:

- The departments had been asked to present any possible capital improvement projects for Council consideration.

Recreation: There was a new master plan to help determine what to do around the community center. The plan showed the future goal and what needed to be done to reach the goals.

Senior Center: Bids for the new flooring came in low so there could be new interior paint as well.

Facilities: The HVAC systems and facilities roofs at the Town facilities were getting old, so they were proposing getting the worst facilities first. The Senior Center was an emergency and the

Recreation Center would be deferred until next year. The plan was to slowly maintain the buildings.

Police Department: Budgeting for three new vehicles, and since the lease purchase was paid off, staff would put in two police cars annually and an admin vehicle.

Non-departmental: There was \$65,000 for outside agency funding, the 50-year anniversary celebration, ADR water study, Document Management Program, \$500,000 in contingency funding, \$100,000 in HURF funds.

Roads: \$400,000 budgeted for preservation of roads. They would be kicked out of the roads building Quonset hut in 2021. The lease either needed to be changed or a new building was needed.

Sewer Enterprise Fund: Collection system cleaning, drying beds, and contingencies.

Capital Improvements: It was one percent of the sales tax and could be used for recreation, police, and debt service. The council could change how the funding was used and some of the money could be used for roads or other items if the Council made those changes by resolution. One percent was about \$1.6 million annually.

OHM Master plan: It would cost approximately \$265,000 split between the current budget and the upcoming budget.

Welcome to Chino Valley Sign: \$100,000 budgeted

Impact Fee Study: \$75,000 placeholder in case the Council chooses to do it.

Gas Line at OHM: \$750,000 budgeted

Police Department Design: \$250,000 for the estimated 30% preliminary phase of the design and an additional \$300,000 for final design if the Council chooses to do that.

Department Transfers: \$150,000 to support the aquatic center and \$250,000 to support the Police Department.

Debt Service: The debt service was approximately \$973,000.

Asset Replacement Fund: Was for one-time funds the Town received and was to be used for asset replacement or a small emergency fund.

Staff still needed to meet individually with the departments.

- Council Member: Consider using funds for flashing speed signs. Staff said they ran about \$4,300 per sign plus installation, but the signs could not be put on State Route 89 because it belonged to ADOT. A temporary sign might be useful and staff could work with ADOT to make a temporary or permanent sign work.
- Staff: Presented and discussed the recreation center master plan design. The master plan was developed and reviewed by an ad-hoc committee. The plan was to pave the parking lot and it needed extensive work. The full design plan was estimated at approximately \$900,000 and could be broken down into multiple years. Staff was waiting on OHM development before moving too far forward with the recreation master plan development in case a recreation facility could be located there as part of a larger master plan.

**b) Road 2 North utilities. (Frank Marbury, Public Works Director/Town Engineer)**

Council determined this item did not need to be discussed.

**c) Update on Public Safety Personnel Retirement System. (Joe Duffy, Finance Director)**

Finance Director Joe Duffy discussed the following:

- The Town's public safety retirement fund was severely underfunded as were most throughout the State. The Town was getting further behind in the unfunded liability.
- For the last few fiscal years, any funds left in the contingency fund was used to pay down the liability of the PSPRS.
- In 2017, the Town was at \$2.5 million and in 2019 it had started to go up until the Town started to pay it down. The current liability was \$3 million.
- The total employer contribution in 2017 was 25.79% or .26 cents of every dollar earned by a police officer had to be paid into the retirement fund and it kept going up and was now 30.27%.
- With the extra \$300,000 annual contributions, the Town's liability was going down about \$65,000 annually. The rate will continue to decrease.
- It was a good return on investment to continue to fund it as aggressively as possible, but the Town was not obligated to do so. If they did not put in the extra funding, the rate would continue to grow.
- At the current rate, if the Town continued to put the extra funding towards PSPRS, it would be paid off in ten years.

**Council:** Agreed with the Finance Director that the Town should continue to pay down the liability with extra funding.

Council took a break at 12:05 and reconvened at 12:11 p.m.

7) Consideration and discussion regarding Strategic Plan update. (Joshua Cook, Development Services Director)

Development Services Director Joshua Cook discussed the following:

- The strategic plan developed in the previous year included three focus areas and goals:

**Focus Areas:**

- Infrastructure
- Water
- Economic Development

**Goals:**

1. Sewer and Water extensions at OHM(still in the process as a multiyear project) The Town had made a decision on what to accomplish for now. The master plan could be used to help plan in this goal.
2. Sewer and water extensions to help promote economic development.
3. Master Plans for Municipal Facilities (community center, police department facility, North Campus development, Treatment Plant building)
4. Develop economic development strategic plan for OHM
5. Inventory of Town wells
6. Analysis of development agreements
7. Economic development exclusive of the business park
8. Planned area zone

9. Exploration of an RV Park at OHM (out for RFP)
  10. Create activities to celebrate the Town's 50<sup>th</sup> birthday with volunteer help (almost complete)
  11. Water masterplan for OHM (completion by November if work approved by Council)
  12. Physical availability determination of water (completed by month's end)
- Each goal should be listed under each focus area.
  - Staff wanted to revisit previous goals and add a timeframe: Short term, medium, or long-term goals. Objectives and implementation strategies could also be added. The goals should be more specific.

### **New List:**

#### **Focus Areas and Goals:**

- **Infrastructure**
  - Sewer and Water extensions at OHM (still in the process as a multiyear project):

The Town had made a decision on what to accomplish for now. The master plan could be used to help plan in this goal.

- Sewer and water extensions to help promote economic development.
- Water master plan for OHM (completion by November if work approved by Council)
- Roads comprehensive plan development – roads in good condition.

### **Objective:**

- Funding sources
- Strategy
- Planning development
- Prioritization of work
- **Water Resources**
  - Inventory of Town wells
  - Water master plan for OHM (completion by November if work approved by Council)
  - Physical availability determination of water (completed by months end)
- **Economic Development**
  - Develop economic development strategic plan for OHM.
  - Economic development exclusive of the business park.
  - Exploration of an RV Park at OHM (out for RFP)
- **Recreation/Tourism**
  - Exploration of an RV Park at OHM (out for RFP)
- **Community Development**
  - Master Plans for Municipal Facilities (community center, police department facility, North Campus development, Treatment Plant building)
  - Analysis of development agreements
  - Planned area zone
- **Public Safety**
- Wine Glass Ranch

Mark Holmes explained the following:

- The company, EHS Support, specialized in remediation projects and was currently doing groundwater modeling and remediation of one of the largest super fund sites in the Phoenix

area. They offered the Town the Big Chino and Wine Glass Ranch Phase One work for the analysis of assured water supply that was required by the State. EHS was actually developing the necessary model and looking at the States documentation. It was \$68,000 worth of services the company was providing free of charge. They would generate a report that would be given to the Town with the information necessary to update the model so the Town could move forward with the next phase of the work.

- There was no obligation to use the company for further phases, but the Town could enter into a professional service agreement if they were satisfied with their work. Phase two was estimated at approximately \$100,000.
- The water needed to be locked up as soon as possible so that Prescott did not lock it up.
- A basic contract for Phase 1 was already in place for the free services.
- It was being fast tracked for completion.

The Group summarized the goals of the meeting: Water issues, OHM master plan studies, and Wine Glass Ranch. The leadership group would put together some action items for the strategic plan and would be brought back to the Council.

## 8) ADJOURNMENT

Meeting adjourned at 1:10 p.m.

\_\_\_\_\_  
Darryl L. Croft, Mayor

ATTEST:

\_\_\_\_\_  
Jami C. Lewis, Town Clerk

## CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the Town Council of the Town of Chino Valley, Arizona held on the \_\_\_\_\_ day of \_\_\_\_\_, 2020. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Jami C. Lewis, Town Clerk



## TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

### Town Council Regular Meeting

7. a.

**Meeting Date:** 03/10/2020  
**Contact Person:** JoAnn Brookins, Customer Service Supervisor  
 Phone: 928-626-4427 x-1216  
**Department:** Customer Service  
**Item Type:** Action-Presentation  
**Estimated length of staff presentation:** 5 minutes  
**Physical location of item:** 2515 N Road 1 East

### AGENDA ITEM TITLE:

Public Hearing and consideration and possible action to recommend approval of an application from Owner Christopher F. Hoult for a new Series 007 (Beer and Wine) Liquor License for Granite Creek Vineyards Wine & Beer Garden, located at 2515 N Road 1 East, Chino Valley.

### RECOMMENDED ACTION:

- (i) Hold Public Hearing
- (ii) Recommend approval for a new Series 007 Liquor License for Granite Creek Vineyards.

### SITUATION AND ANALYSIS:

A.R.S. § 4-201 provides that a person desiring a new or amended liquor license shall apply with the State Liquor Board. Upon receipt of such application, the State forwards the application to the local governing body (Council), which is tasked with making a recommendation to the Board for granting or denying the license. The local governing body may also vote to make no recommendation should they prefer that approval or denial be up to the State. A recommendation for disapproval requires a statement of the specific reasons containing a summary of the testimony or other evidence supporting the recommendation for disapproval. The attached Arizona Administrative Code, Rule R19-1-702 provides guidelines for determining whether to grant a license for a certain location. Upon reviewing the material provided by the Department of Liquor Licenses and Control, and conducting a public hearing, the Council may recommend that the state liquor board grant or deny the license, or vote to make no recommendation.

Christopher F. Hoult has applied with the state for a new Series 007 (Wine and Beer) Liquor License. The beer and wine bar (series 7) liquor license is a "quota" license available only through the Liquor License Lottery or for purchase on the open market. Once issued, this liquor license is transferable from person to person and/or location to location within the same county and allows the holder both on- & off-sale retail privileges. This license allows a beer and wine bar retailer to sell and serve beer and wine (no other spirituous liquors), primarily by individual portions, to be consumed on the premises and in the original container for consumption on or off the premises.

Granite Creek Vineyards is having to apply for this new license to serve Wine and Beer under the lottery rules and regulations. The Police Department has reviewed the application and recommended approval

with one stipulation. For any large events Granite Creek is required to maintain sufficient access for emergency vehicles to drive to the buildings. Planning Department has recommended approval with no comments. Staff posted the establishment with the necessary notices to meet the required 20-day period from February 19, 2020 through March 10, 2020. As of the date of this report, staff has not received any written arguments in favor of or in opposition to the application.

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**Fiscal Impact**

**Fiscal Impact?:** No

**If Yes, Budget Code:**

**Available:**

**Funding Source:**

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**Attachments**

Application

Acceptable Reason for Protest

Granting LL for Certain Locations

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**State of Arizona**  
**Department of Liquor Licenses and Control**

Created 12/30/2019 @ 02:57:12 PM

Local Governing Body Report

**LICENSE**

|                      |                                                            |                          |
|----------------------|------------------------------------------------------------|--------------------------|
| Number:              | Type:                                                      | 007 BEER AND WINE<br>BAR |
| Name:                | GRANITE CREEK VINEYARDS WINE & BEER GARDEN                 |                          |
| State:               | Pending                                                    |                          |
| Issue Date:          | Expiration Date:                                           |                          |
| Original Issue Date: |                                                            |                          |
| Location:            | 2515 N ROAD<br>1 EAST<br>CHINO VALLEY, AZ 86323<br>USA     |                          |
| Mailing Address:     | 1145 E GRANITE CREEK LANE<br>CHINO VALLEY, AZ 86323<br>USA |                          |
| Phone:               | (928)636-2003                                              |                          |
| Alt. Phone:          | (928)308-0424                                              |                          |
| Email:               | KITHOULT@GMAIL.COM                                         |                          |

**AGENT**

|                         |                                                            |
|-------------------------|------------------------------------------------------------|
| Name:                   | CHRISTOPHER F HOULT                                        |
| Gender:                 | Male                                                       |
| Correspondence Address: | 1145 E GRANITE CREEK LANE<br>CHINO VALLEY, AZ 86323<br>USA |
| Phone:                  | (928)308-0424                                              |
| Alt. Phone:             |                                                            |
| Email:                  | KITHOULT@GMAIL.COM                                         |

**OWNER**

|                         |                                                            |
|-------------------------|------------------------------------------------------------|
| Name:                   | CHRISTOPHER F HOULT                                        |
| Gender:                 | Male                                                       |
| Correspondence Address: | 1145 E GRANITE CREEK LANE<br>CHINO VALLEY, AZ 86323<br>USA |
| Phone:                  | (928)308-0424                                              |
| Alt. Phone:             |                                                            |
| Email:                  | KITHOULT@GMAIL.COM                                         |

19 DEC 30 11:41 AM '11

## APPLICATION INFORMATION

Application Number: 90411  
 Application Type: New Application  
 Created Date: 12/30/2019

## QUESTIONS & ANSWERS

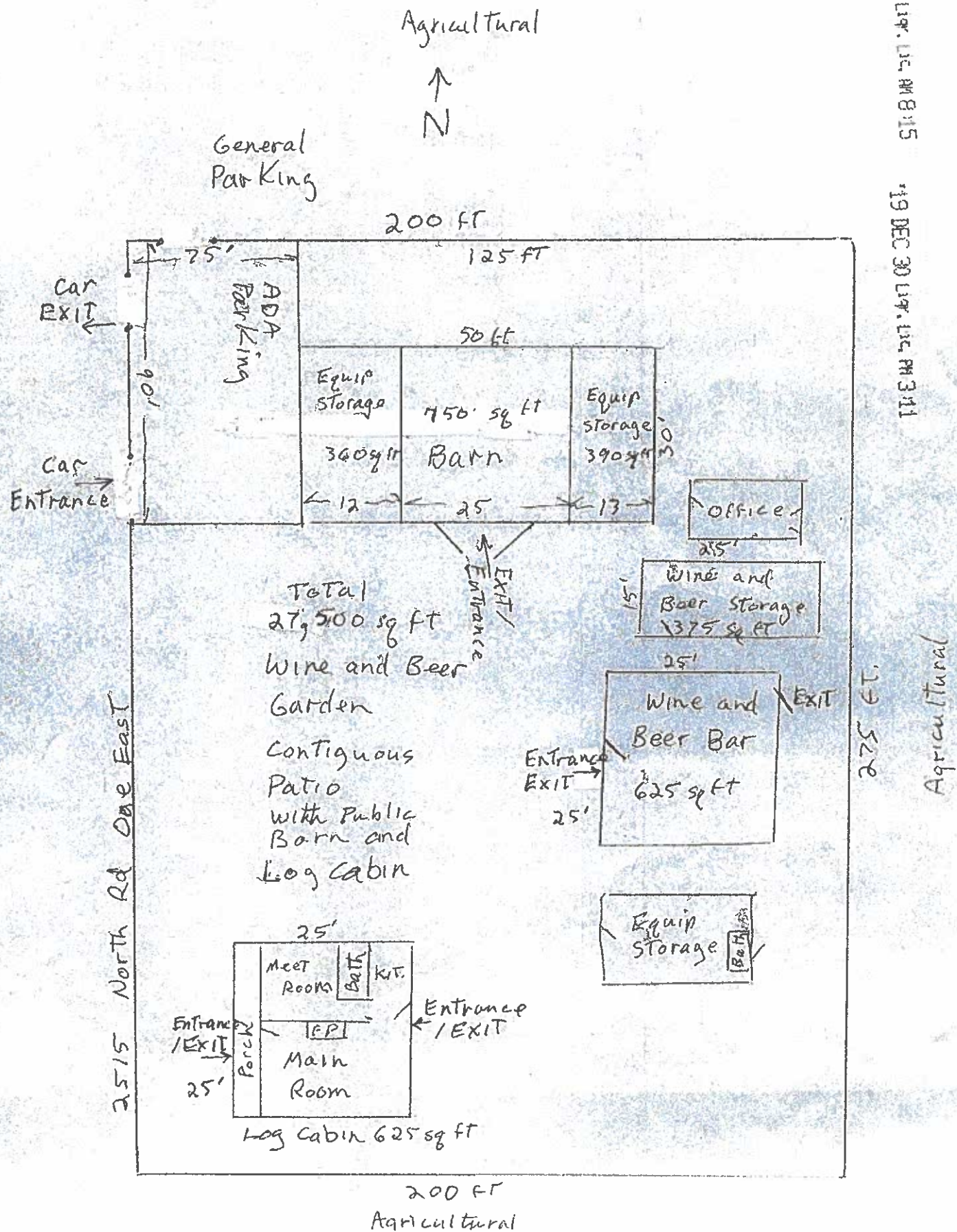
### 007 Beer and Wine Bar

- 1) If you intend to operate the business while your application is pending you will need an interim permit pursuant to A.R.S. §4-203.01. Would you like to apply for an Interim Permit?  
 If yes, after completing this application, please go back to your Licensing screen, under New License Application choose "Interim Permit" from the drop-down window.  
 No
- 2) Have you submitted a questionnaire? Each person listed must submit a questionnaire and mail in a fingerprint card along with a \$22. processing fee per card.  
 Yes
- 3) Please provide name, address, and Distance of nearest school.  
 TERRITORIAL ELEMENTARY SCHOOL  
 1088 E. MAHON LANE  
 CHINO VALLEY, AZ 86323  
  
 1.20 MILES
- 4) Please provide name, address, and distance of nearest church.  
 ST. CATHERINE LABOURE CATHOLIC CHURCH  
 2062 STATE HWY 89  
 CHINO VALLEY, AZ 86323
- 5) Are you a tenant? (A person who holds the lease of a property: a lessee)  
 No
- 6) Is there a penalty if lease is not fulfilled?  
 No
- 7) Are you a sub-tenant? (A person who holds a lease which was given to another person (tenant) for all or part of a property)  
 No
- 8) Are you the owner?  
 Yes
- 9) Are you a purchaser?  
 No
- 10) Are you a management company?  
 No
- 11) Is the Business located within the incorporated limits of the city or town of which it is located?  
 Yes
- 12) What is the total money borrowed for the business not including the lease?  
 Please list lenders/people owed money for the business.  
 NONE

- 13) Have you provided a diagram of your premises?  
Yes
- 14) Is there a drive through window on the premises?  
Yes
- 15) If there is a patio please indicate contiguous or non-contiguous within 30 feet.  
CONTIGUOUS
- 16) Is your licensed premises now closed due to construction, renovation or redesign or rebuild?

19 DEC 30 UY. 124 M 8:15

19 DEC 30 UY. 124 M 3:11



| Type of Application |                              | Acceptable Protest                 |
|---------------------|------------------------------|------------------------------------|
| 1                   | New License                  | May Protest Person and Location    |
| 2                   | Person Transfer              | May Protest <b>"ONLY"</b> Person   |
| 3                   | Location Transfer            | May Protest <b>"ONLY"</b> Location |
| 4                   | Location and Person Transfer | May Protest Person and/or Location |

## Types of Liquor License Applications and Acceptable Reasons to Protest



**Arizona Laws and Regulations Relating to  
Granting a Liquor License for a Certain Location  
(pursuant to Arizona Revised Statute §4-201(I))**

**R19-1-702. Determining Whether to Grant a License for a Certain Location**

- A. To determine whether public convenience requires and the best interest of the community will be substantially served by issuing or transferring a license at a particular unlicensed location, local governing authorities and the Board may consider the following criteria:
1. Petitions and testimony from individuals who favor or oppose issuance of a license and who reside in, own, or lease property within one mile of the proposed premises;
  2. Number and types of licenses within one mile of the proposed premises;
  3. Evidence that all necessary licenses and permits for which the applicant is eligible at the time of application have been obtained from the state and all other governing bodies;
  4. Residential and commercial population of the community and its likelihood of increasing, decreasing, or remaining static;
  5. Residential and commercial population density within one mile of the proposed premises;
  6. Evidence concerning the nature of the proposed business, its potential market, and its likely customers;
  7. Effect on vehicular traffic within one mile of the proposed premises;
  8. Compatibility of the proposed business with other activity within one mile of the proposed premises;
  9. Effect or impact on the activities of businesses or the residential neighborhood that might be affected by granting a license at the proposed premises;
  10. History for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant received a detailed report of the violations and criminal activity at least 20 days before the hearing by the Board;
  11. Comparison of the hours of operation at the proposed premises to the hours of operation of existing businesses within one mile of the proposed premises; and
  12. Proximity of the proposed premises to licensed childcare facilities as defined by A.R.S. § 36-881.
- B. This Section is authorized by A.R.S. § 4-201(I).



## TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

### Town Council Regular Meeting

7. b.

**Meeting Date:** 03/10/2020  
**Contact Person:** Joe Duffy, Finance Director  
 Phone: 928-636-2646 x-1211  
**Department:** Finance  
**Item Type:**  
**Estimated length of staff presentation:**  
**Physical location of item:** N/A

### AGENDA ITEM TITLE:

Public Hearing regarding Resolution No. 2020-1153, proposing an extension of the alternative expenditure limitation—home rule option.

### RECOMMENDED ACTION:

Hold public hearing.

### SITUATION AND ANALYSIS:

This is the first of two required public hearings on the Home Rule Option. The second public hearing will be held March 24, 2020 at 6:00 p.m. during the Regular Council Meeting.

The Home Rule Option relates to the Town's budget process as prescribed by state law. All Arizona cities and towns are required to have a balanced budget where spending (expenditures) cannot exceed available income (revenues). State law also requires that the Town adopt a cap for its annual expenditures as part of the budget process ("expenditure limitation"). This expenditure limitation is based on a formula set by the state ("state-imposed limitation") in 1979. However, at any time, a municipality's voters may approve an alternative method for setting their municipality's expenditure limit ("alternative expenditure limitation").

There are 4 alternative expenditure limitation ("AEL") options, as well as an Emergency Override option, which allows a municipality to exceed its expenditure limitation in the event of a disaster in which either the governor or the Town Council declares an emergency. The 4 AELs are:

- One-Time Override – Provides for a one time election for one year only to exceed the state-imposed limitation or to override an error in an approved AEL. This option does not apply to the Town at this time.
- Capital Projects Accumulation – This option is most appropriate for communities where the state-imposed limitation is sufficient except in the area of capital outlays. This option has become obsolete and is not being used by any Arizona municipalities. As the state-imposed limitation is not sufficient for the Town, staff does not recommend this option.
- Permanent Base Adjustment – Allows a municipality to permanently adjust the state's base expenditure amount used to formulate the municipality's expenditure limitation until the voters

approve another permanent base adjustment or another AEL option. As this option requires a longer term commitment, would bind future Town Councils, and does not require regular elections to extend the option; and staff believes the Town's citizens would prefer additional opportunities to be involved in the Town's budgeting process, staff is not recommending this option at this time.

- Home Rule – Allows a municipality to set a spending limit based upon current and projected revenues and local service demands and must be extended by the voters every 4 years. As this option appears to fit the community's needs the best at the present time, staff recommends that Council ask the Town's voters to extend this option.

The Town currently operates under the Home Rule Option, which was originally approved in 1985, and has been extended every four years since. The Town's current Home Rule Option expires in 2021. The Town Council has three possible options to propose to the voters:

- Propose an extension of the Home Rule Option for another 4 years;
- Propose another AEL option;
- Propose nothing and revert to the default state-imposed expenditure limitation.

In order to extend Home Rule, Council must hold two public hearings to hear public comment. After the second public hearing, Council must adopt, in a special meeting, a resolution (attached in English and Spanish) proposing an extension of the Home Rule Option and placing it on a Town election ballot. On January 14, 2020, Council directed staff to prepare the item for the August 4, 2020 primary election ballot.

For more information on the Home Rule Option, see attached – Frequently Asked Questions About Alternative Expenditure Limitation – Home Rule Option.

Finance staff has prepared the financial analysis required by law prior to placing the question before the voters. Those documents include a summary analysis, summary analysis worksheet, and a detailed analysis. These analyses contain the calculations for determining the state-imposed limitation and the projected AEL under the Home Rule option for the next four fiscal years.

The summary analysis delineates four things:

- The estimated expenditure limitation (or budget cap) that the Town will be allowed to expend for the next four fiscal years under the Home Rule Option (paragraph 2).
- The budgetary purposes (Town services and operations) for which the Town will use its expenditure authority (paragraph 3).
- The estimated expenditure limitation that the Town will be allowed to expend for the next four fiscal years under the state-imposed limitation (paragraph 4).
- The amount of revenues estimated to be available to fund the Town's operations (paragraph 5).

The summary analysis worksheet is used to compute the total expenditures under the state imposed limitation, which includes as its base the Town's revenues from 1979-80 and its 1978 population.

The detailed analysis includes:

- A synopsis of the summary analysis (paragraphs 2 & 3).
- The amounts estimated to be expended in specific areas for Town services and operations (1<sup>st</sup> table).
- Estimated revenues from federal, state, and local sources (2<sup>nd</sup> table).

All of this assumes that the revenues the Town receives will continue to be available as they have been for the past four years.

Should Council approve Resolution No. 2020-1153 on March 24, 2020, staff will place the Home Rule extension proposal on the August 4, 2020 ballot. Should Council not approve the resolution, the item will

not be placed on the ballot and the Town's expenditure limitation will revert back to the state-imposed limitation.

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**Fiscal Impact**

**Fiscal Impact?:**       no

**If Yes, Budget Code:**

**Available:**

**Funding Source:**

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**Attachments**

RES 2020-1153 English

RES 2020-1153 Spanish

Frequently Asked Questions

Summary Analysis Worksheet

Summary Analysis

Detailed Analysis

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## RESOLUTION NO. 2020-1153

### A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, ARIZONA, PROPOSING AN EXTENSION OF THE ALTERNATIVE EXPENDITURE LIMITATION AND REFERRING IT TO THE VOTERS OF THE TOWN OF CHINO VALLEY, ARIZONA.

**WHEREAS**, the Article IX, Section 20, Subsection 9, of the Arizona State Constitution permits the Mayor and Council of the Town of Chino Valley ("Town Council") to submit to the voters of the Town of Chino Valley (the "Town") an alternative expenditure limitation; once approved, such alternative expenditure limitation is effective for the succeeding four years; and

**WHEREAS**, the voters of the Town of Chino Valley first approved an alternative expenditure limitation in 1985 and have, every four years thereafter, approved an alternative expenditure limitation; the most recent voter approval occurred in 2016; and

**WHEREAS**, the alternative expenditure limitation approved by the voters in 2016 expires on June 30, 2021; and

**WHEREAS**, the Town Council, after two public hearings, has determined that the continuation of an alternative expenditure limitation is necessary for the Town.

**NOW, THEREFORE, BE IT RESOLVED** by the Mayor and Common Council of the Town of Chino Valley, Arizona as follows:

**SECTION 1.** The Recitals above are hereby incorporated as if fully set forth herein.

**SECTION 2.** The alternative expenditure limitation shall be submitted to the Chino Valley voters for extension, as follows:

SHALL THE FOLLOWING BE ADOPTED BY THE TOWN OF CHINO VALLEY AS AN ALTERNATIVE EXPENDITURE LIMITATION:

"THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY SHALL ANNUALLY, AS PART OF THE ANNUAL BUDGET ADOPTION PROCESS, ADOPT AN ALTERNATIVE EXPENDITURE LIMITATION EQUAL TO THE TOTAL AMOUNT OF BUDGETED EXPENDITURES/EXPENSES AS IT APPEARS ON THE ANNUAL BUDGET AS ADOPTED BY THE COUNCIL. THIS ALTERNATIVE EXPENDITURE LIMITATION SHALL APPLY TO THE TOWN OF CHINO VALLEY FOR EACH OF THE FOUR FISCAL YEARS IMMEDIATELY FOLLOWING ADOPTION OF THE ALTERNATIVE EXPENDITURE LIMITATION. THE ALTERNATIVE EXPENDITURE LIMITATION SHALL BE ADOPTED EACH YEAR AFTER A PUBLIC HEARING AT WHICH THE CITIZENS OF THE TOWN OF CHINO VALLEY MAY COMMENT ON THE PROPOSED ALTERNATIVE EXPENDITURE LIMITATION. NO EXPENDITURES MAY BE MADE IN VIOLATION OF SUCH ALTERNATIVE EXPENDITURE LIMITATION, NOR MAY ANY PROPOSED EXPENDITURES BE IN EXCESS OF ESTIMATED AVAILABLE REVENUES, EXCEPT THAT THE MAYOR AND THE COMMON COUNCIL MAY, BY THREE-FOURTHS VOTE, DECLARE AN EMERGENCY AND SUSPEND THE ALTERNATIVE

EXPENDITURE LIMITATION. THE SUSPENSION OF THE ALTERNATIVE EXPENDITURE LIMITATION SHALL BE IN EFFECT FOR ONLY ONE FISCAL YEAR AT A TIME.”

SECTION 3. If any section, subsection, sentence, clause, phrase or portion of this Resolution is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 4. The Mayor, the Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to take all steps necessary to carry out the purpose and intent of this Resolution, including publication of a notice in the manner and at the times set forth in ARIZ. REV. STAT. § 41-563.01.

**PASSED AND ADOPTED** by the Mayor and Common Council of the Town of Chino Valley, Arizona this 24th day of March, 2020.

\_\_\_\_\_  
Darryl L. Croft, Mayor

ATTEST:

\_\_\_\_\_  
Jami C. Lewis, Town Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Andrew J. McGuire, Town Attorney  
Gust Rosenfeld, P.L.C.

I hereby certify the above foregoing Resolution No. 2020-1153 was duly passed by the Council of the Town of Chino Valley, Arizona, at a regular meeting held on March 24, 2020, and that quorum was present thereat and that the vote thereon was \_\_\_\_ ayes and \_\_\_\_ nays and \_\_\_\_ abstentions. \_\_\_\_ Council members were absent or excused.

\_\_\_\_\_  
Jami C. Lewis, Town Clerk

## **RESOLUCIÓN N°QUE 2020-1153**

### **UNA RESOLUCIÓN DEL ALCALDE Y EL CONCEJO MUNICIPAL DEL PUEBLO DE CHINO VALLEY, ARIZONA, QUE PROPONE UNA EXTENSIÓN DE LA LIMITACIÓN DE GASTOS ALTERNATIVA Y QUE LA REMITE A LOS VOTANTES DEL PUEBLO DE CHINO VALLEY, ARIZONA**

**CONSIDERANDO QUE**, la subsección 9 de la sección 20 del artículo IX de la constitución estatal de Arizona permite al Alcalde y el Concejo Municipal del Pueblo de Chino Valley (“Concejo”) a presentar a los votantes del Pueblo de Chino Valley (el “Pueblo”) una limitación de gastos alternativa; una vez aprobada, la limitación de gastos alternativa permanece vigente para los siguientes cuatro años; y

**CONSIDERANDO QUE**, los votantes del Pueblo de Chino Valley aprobaron por primera vez una limitación de gastos alternativa en 1985 y, desde entonces, cada cuatro años han aprobado una limitación de gastos alternativa; la aprobación de los votantes más reciente se produjo en 2016; y

**CONSIDERANDO QUE**, la limitación de gastos alternativa aprobada por los votantes en 2016 se vencerá el 30 de junio de 2021; y

**CONSIDERANDO QUE**, después de dos audiencias públicas, el Concejo ha determinado que una extensión de la limitación de gastos alternativa es necesaria para el Pueblo;

**POR LO TANTO, SE RESUELVE** por el Alcalde y el Concejo del Pueblo de Chino Valley, Arizona, como sigue:

SECCIÓN 1. Los considerandos anteriores quedan incorporados como si fueran plenamente establecidos en el presente documento.

SECCIÓN 2. La limitación de gastos alternativa será presentada a los votantes de Chino Valley para extensión como sigue:

**DEBERÁ EL PUEBLO DE CHINO VALLEY ADOPTAR LO QUE SIGUE COMO UNA LIMITACIÓN DE GASTOS ALTERNATIVA:**

“CADA AÑO EL ALCALDE Y EL CONCEJO MUNICIPAL DEL PUEBLO DE CHINO VALLEY, COMO PARTE DEL PROCESO ANUAL DE ADOPTAR EL PRESUPUESTO, DEBERÁN ADOPTAR UNA LIMITACIÓN DE GASTOS ALTERNATIVA IGUAL A LA CANTIDAD TOTAL DE LOS GASTOS/COSTOS PRESUPUESTADOS COMO APARECE EN EL PRESUPUESTO ANUAL COMO ADOPTADO POR EL CONCEJO. ESTA LIMITACIÓN DE GASTOS ALTERNATIVA SE APLICARÁ AL PUEBLO DE CHINO VALLEY PARA CADA UNO DE LOS CUATRO AÑOS FISCALES INMEDIATAMENTE DESPUÉS DE ADOPTAR LA LIMITACIÓN DE GASTOS ALTERNATIVA. LA LIMITACIÓN DE GASTOS ALTERNATIVA SE DEBERÁ ADOPTAR CADA AÑO DESPUÉS DE UNA AUDIENCIA PÚBLICA EN LA CUAL LOS CIUDADANOS DEL PUEBLO DE CHINO VALLEY PUEDAN COMENTAR SOBRE LA PROPUESTA LIMITACIÓN DE GASTOS ALTERNATIVA. NO SE PERMITIRÁN NINGUNOS GASTOS EN

VIOLACIÓN DE DICHA LIMITACIÓN DE GASTOS ALTERNATIVA, NI SE PERMITIRÁ CUALQUIER GASTO PROPUESTO EN EXCESO DE LOS INGRESOS CALCULADOS DISPONIBLES, CON LA EXCEPCIÓN DE QUE EL ALCALDE Y EL CONCEJO PUEDAN, POR UN VOTO DE TRES CUARTOS, DECLARAR UNA EMERGENCIA Y SUSPENDER LA LIMITACIÓN DE GASTOS ALTERNATIVA. DICHA SUSPENSIÓN DE LA LIMITACIÓN DE GASTOS ALTERNATIVA PERMANECERÁ VIGENTE POR SÓLO UN AÑO FISCAL A LA VEZ”.

SECCIÓN 3. Si cualquier sección, subsección, frase, cláusula, frase o porción de la presente resolución sea, por cualquier razón, considerada no válida o inconstitucional por la decisión de un tribunal de jurisdicción competente, tal determinación no afectará la validez de las partes restantes de la misma.

SECCIÓN 4. El alcalde, el administrador municipal, la secretaria municipal y el abogado para el municipio quedan autorizados y dirigidos a adoptar todas las medidas necesarias para llevar a cabo el propósito y la intención de la presente resolución, incluida la publicación de un aviso en la forma y en los tiempos establecidos en la ley estatal, ARIZ. REV. STAT. § 41-563.01.

**APROBADA Y ADOPTADA** por el Alcalde y el Concejo Municipal del Pueblo de Chino Valley, Arizona este día 24 de marzo de 2020.

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Darryl L. Croft, Alcalde

DOY FE:

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Jami C. Lewis, Secretaria Municipal

APROBADA EN CUANTO A LA FORMA:

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Andrew J. McGuire, Abogado para el Municipio  
Gust Rosenfeld, P.L.C.

Por la presente certifico que la anteriormente mencionada Resolución No. 2020-1153 fue debidamente aprobada por el Concejo Municipal del Pueblo de Chino Valley, Arizona, en una reunión ordinaria celebrada el 24 de marzo de 2020 y que estaba presente un quórum allí y que el voto sobre la misma fue \_\_\_\_\_ a favor y \_\_\_\_\_ en contra y \_\_\_\_\_ abstenciones. \_\_\_\_\_ miembros del Concejo estaban ausentes o dispensados.

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Jami C. Lewis, Secretaria Municipal

## FREQUENTLY ASKED QUESTIONS

### ALTERNATIVE EXPENDITURE LIMITATION (HOME RULE OPTION)

#### What is the *Expenditure Limitation*?

- Chino Valley, like all cities and towns in Arizona, is required to have a balanced budget where spending (expenditures) cannot exceed available revenues.
- Additionally, in 1980, Arizona voters approved a constitutional amendment designed to limit the annual expenditures of all Arizona cities and towns. The law requires that each municipality adopt a limit on its annual expenditures based on a formula that is set by the state. This is known as the *state-imposed expenditure limitation*.
- As Arizona's municipalities began experiencing the growth that we still see today, with their revenues and budget demands growing, it became clear that the state formula, set according to the economic climate of the late seventies, no longer reflected the revenue and expenditure needs of a rapidly growing state.
- The Arizona Constitution was then amended to provide options to accommodate these growing financial needs. One of these options allows voters to authorize the Town Council to adopt an alternative method for setting the Town's expenditure limit. This is known as the *Alternative Expenditure Limitation (Home Rule Option)* ("Home Rule").
- When the Town's voter have approved Home Rule, each fiscal year, the Town Council adopts the expenditure limitation option in conjunction with adoption of the Town's annual budget. Expenditures cannot exceed that limitation, thereby creating the required balanced budget.

#### What are the Options authorized by law that allow the town to exceed its state-imposed expenditure limitation?

- Emergency Override – Provides for the Town Council to allow for expenditures in excess of the state-imposed limitation in the event of a disaster.
- One-Time Override – Allows the town to exceed the state-imposed limitation for one year for a specific purpose.
- Capital Projects Accumulation – This option is most appropriate for communities where the state-imposed limitation is sufficient except in the area of capital outlays. This option is not currently being used by any Arizona municipalities.
- Permanent Base Adjustment – Allows a municipality to permanently adjust the state's base expenditure amount based on current needs, rather than using 1979 base amount as required by the 1980 voter-approved proposition. Once approved by the voters, it does not expire.
- Home Rule Option – Allows a municipality to set its own spending limitation based upon current and projected revenues and local service demands. It is effective for four years. At the end of the four-year term, if a new Home Rule is not approved by the voters, the expenditure limitation reverts to the state-imposed limitation.

### MUNICIPALITIES & EXPENDITURE LIMITATIONS – 2020

| STATE-IMPOSED | CAPITAL PROJECTS | PERMANENT BASE | HOME RULE |
|---------------|------------------|----------------|-----------|
| 19            | 0                | 33             | 45        |

#### Why Home Rule for Chino Valley?

- Home Rule permits the Town Council to set a spending limit based upon local priorities instead of making budget decisions based on a state-imposed formula. Hence, budget decisions are made “at home.”
- Home Rule does *not* enable the Town to spend more than the revenues it receives. Should the Town receive fewer revenues than budget projections, Town officials are required by law to reduce expenditures to maintain a balanced budget.
- Chino Valley operated under the state limitation until 1985 until the Town’s citizens voted to approve the Home Rule Option for the first time. Chino Valley voters have extended the Home Rule Option every four years since then.
- The Town’s current Home Rule expires in June 2021 and the Town Council will be asking the voters to extend it another four years at the Town’s Primary Election on August 4, 2020.
- The Town is recommending the Home Rule Option over the other options, because it best fits the Town’s current circumstances. More specifically:
  - The One-Time Override does not apply to the Town at this time.
  - The state-imposed limitation under the Capital Projects Accumulation is not sufficient for the Town at this time.
  - The Permanent Base Adjustment requires a longer-term commitment, would bind future Town Councils, and tends to be more favorable during a stable economy.

#### What effect does Home Rule have on revenues and taxes?

- Home Rule does not increase or decrease the revenues that the Town receives from sales taxes and state shared revenues or from any other source.
- Home Rule has *no* impact on taxes or tax rates. It does not change the Town’s sales tax rate.

#### What is the difference between Home Rule and the state-imposed limitation?

- The expenditure limitation was originally adopted in 1980 and the formula for the state limitation is based on revenues and population from 1979.
- While the state limitation for subsequent years permits increased spending limits using a population growth factor and an inflation factor, those factors are *not* calculated from *actual* revenues, population growth, or inflation.
- When the state limitation formula was originally developed in 1980, Chino Valley had a population of 2,400 and revenues of \$255,094.

- As the Town has grown, so have its revenues, operating costs, and demand for services. Today, the Town has a population between 11,000-12,000 and it projects to receive approximately \$23,590,700 in revenues during fiscal year 2021-2022.

### STATE LIMIT VS. HOME RULE – PROJECTIONS – 2021-2025

|                                                      | FY<br>2021-2022 | FY<br>2022-2023 | FY<br>2023-2024 | FY<br>2024-2025 |
|------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| State imposed expenditure limitation plus exclusions | \$9,879,964     | \$10,104,541    | \$10,641,148    | \$10,478,152    |
| Estimated revenues received from any source          | \$23,590,700    | \$24,084,600    | \$24,943,200    | \$21,112,900    |
| Additional dollars available with Home Rule          | \$13,710,736    | \$13,980,059    | \$14,302,052    | \$14,634,748    |

#### What happens if the voters APPROVE the Home Rule?

- The Home Rule will remain in effect for the next four consecutive fiscal years.
- The voters will authorize the Council to set the Town's expenditure limitation based on current and projected revenues and needs while remaining within the broad budgetary limits prescribed by the state.
- The Town will adopt an expenditure limitation based on the Home Rule each of the next four fiscal years during the budget process.
- After four years, the Mayor and Council may ask the voters to extend it again or propose another alternative expenditure limitation option available at that time.

#### What happens if the voters DO NOT APPROVE the Home Rule Option?

- The Town will lose the ability to set its budget based on current needs and revenues and will be required to limit Town expenditures to the state imposed formula for at least two consecutive fiscal years (until it can be approved by the voters at another election).
- Projections indicate that approximately 58% of the Town's overall budget for the next two years would have to be eliminated.
- Although the Town will still *receive* revenues approximating the estimates above, revenue amounts in excess of the state limitation will remain unavailable for two years, as state law will prevent the Town from allocating those funds to provide general government services.

What do we need to know about voting on the proposal?

- The Town is proposing to place the proposal on the August 4, 2020 ballot.
- Registered voters will receive a voter information pamphlet with much of the material presented here on Home Rule, as well as general voting information.
- Individuals or a group can file an “argument” (statement for or against the Home Rule) to be published in the voter information pamphlet. Submit arguments to the Town Clerk’s office by May 6, 2020. For guidelines on submitting an argument, refer to the document entitled “Voter Information Pamphlet—Argument Submittal Guidelines” on the Town’s website at <http://www.chinoaz.net/468/>.

**TOWN OF CHINO VALLEY, ARIZONA  
ALTERNATIVE EXPENDITURE LIMITATION**

(Home Rule Option)

**SUMMARY ANALYSIS WORKSHEET**

POPULATION FACTOR COMPUTATION

| Fiscal Year | Prior Fiscal<br>Year Population | ÷ | 1978 Population | = | Population<br>Factor |
|-------------|---------------------------------|---|-----------------|---|----------------------|
| 2021-2022   | 12,200                          | ÷ | 2,400           | = | 5.0833               |
| 2022-2023   | 12,400                          | ÷ | 2,400           | = | 5.1667               |
| 2023-2024   | 12,500                          | ÷ | 2,400           | = | 5.2083               |
| 2024-2025   | 12,600                          | ÷ | 2,400           | = | 5.2500               |

STATE-IMPOSED EXPENDITURE LIMITATION

| Fiscal<br>Year | 1979-80<br>Base | x | Population<br>Factor | x | Inflation<br>Factor | = | Projected<br>State-Imposed<br>Expenditure Limitation | + | Estimated<br>Exclusions | = | Total Expenditures<br>Under State-Imposed<br>Limit |
|----------------|-----------------|---|----------------------|---|---------------------|---|------------------------------------------------------|---|-------------------------|---|----------------------------------------------------|
| 2021-2022      | \$255,094       | X | 5.0833               | X | 3.2998              | = | \$4,278,914                                          | + | \$5,601,048             | = | \$ 9,879,962                                       |
| 2022-2023      | \$255,094       | X | 5.1667               | X | 3.3840              | = | \$4,460,092                                          | + | \$5,644,448             | = | \$10,104,540                                       |
| 2023-2024      | \$255,094       | X | 5.2083               | X | 3.4695              | = | \$4,609,599                                          | + | \$6,031,548             | = | \$10,641,147                                       |
| 2024-2025      | \$255,094       | X | 5.2500               | X | 3.5538              | = | \$4,759,404                                          | + | \$5,718,748             | = | \$10,478,152                                       |

**TOWN OF CHINO VALLEY, ARIZONA  
ALTERNATIVE EXPENDITURE LIMITATION**

**(Home Rule Option)**

**SUMMARY ANALYSIS**

The voters of the Town of Chino Valley in 2005 adopted an alternative expenditure limitation (Home Rule Option). The purpose of this election is for the continued use of the Home Rule Option.

Pursuant to the Arizona State Constitution, the Town of Chino Valley seeks voter approval to adopt a Home Rule Option to apply to the town for the next four years beginning in 2021-2022. Under the Home Rule Option if approved by the voters, the town estimates it will be allowed to expend approximately \$23,590,700 in 2021-2022, \$24,084,600 in 2022-2023, \$24,943,200 in 2023-2024, and \$25,112,900 in 2024-2025.

With approval of the Home Rule Option, the town will utilize the expenditure authority for all local budgetary purposes including; General Government; Grant Fund Expenditures; Public Safety; Parks & Recreation; Aquatics; Library; Senior Center; Magistrate; Prosecutor; Planning & Building; Public Works & Engineering; Roads; Water & Sewer Utilities; Capital Improvements; and Debt Service.

Under the state-imposed limitation, after considering the constitutionally allowed exclusions, the town estimates it will be allowed to expend approximately \$9,879,962 in 2021-2022, \$10,104,540 in 2022-2023, \$10,641,147 in 2023-2024, and \$10,478,152 in 2024-2025 for the operation of your local government.

The amount of revenue estimated to be available to fund the operation of your town government is \$23,590,700 in 2021-2022, \$24,084,600 in 2022-2023, \$24,943,200 in 2023-2024, and \$25,112,900 in 2024-2025. These revenue estimates are the same under the Home Rule Option or the state-imposed expenditure limitation.

Any and all dollar figures presented in this summary are estimates only and are based upon information available at the time of preparation of this analysis. The budget and actual expenditures in any of the four years may be more or less than expenditures noted above depending on available revenue.

If no alternative expenditure limitation is approved, the state-imposed expenditure limitation will apply to the town.

**TOWN OF CHINO VALLEY, ARIZONA**  
**ALTERNATIVE EXPENDITURE LIMITATION**  
**(Home Rule Option)**  
**DETAILED ANALYSIS**

Pursuant to the Arizona State Constitution, the Town of Chino Valley as authorized by Resolution No. 2020-1153 passed on March 24, 2020 will seek voter approval to adopt an alternative expenditure limitation (Home Rule Option) to apply to the Town for the next four years beginning in 2021-2022.

Under a Home Rule Option if approved by the voters, the Town estimates it will be allowed to expend approximately \$23,590,700 in 2021-2022, \$24,084,600 in 2022-2023, \$24,943,200 in 2023-2024, and \$25,112,900 in 2024-2025.

With approval of the Home Rule Option, the Town will utilize the expenditure authority for all local budgetary purposes including: General Government; Grant Fund Expenditures; Public Safety; Parks & Recreation; Aquatics; Library; Senior Center; Magistrate; Prosecutor; Planning & Building; Public Works & Engineering; Roads; Water & Sewer Utilities; Capital Improvements; and Debt Service. We estimate that the expenditures for the next four years under the Home Rule Option will be as follows:

**ESTIMATED AMOUNTS TO BE EXPENDED IN SPECIFIC AREAS**

| Purpose                    | 2021-2022    | 2022-2023    | 2023-2024    | 2024-2025    |
|----------------------------|--------------|--------------|--------------|--------------|
| General Government         | \$ 3,459,300 | \$ 3,793,100 | \$ 3,858,100 | \$ 3,995,900 |
| Grant Fund Expenditures    | 3,500,000    | 3,500,000    | 3,850,000    | 3,500,000    |
| Public Safety              | 3,792,200    | 3,897,500    | 4,034,900    | 4,126,400    |
| Parks & Recreation         | 706,400      | 717,200      | 739,800      | 760,600      |
| Aquatics                   | 299,600      | 255,600      | 260,800      | 266,900      |
| Library                    | 406,600      | 418,800      | 430,900      | 443,700      |
| Senior Center              | 495,900      | 355,900      | 367,200      | 377,600      |
| Magistrate                 | 330,700      | 344,300      | 350,700      | 360,900      |
| Prosecutor                 | 132,900      | 136,600      | 140,400      | 144,100      |
| Planning & Building        | 626,900      | 636,100      | 654,100      | 672,100      |
| Public Works & Engineering | 665,600      | 671,400      | 693,100      | 707,300      |
| Roads                      | 1,048,300    | 1,075,900    | 1,490,500    | 1,253,900    |
| Water & Sewer Utilities    | 2,600,300    | 2,873,100    | 2,871,900    | 2,589,500    |
| Capital Improvements       | 4,534,500    | 4,410,300    | 4,202,000    | 4,914,500    |
| Debt Service               | 991,500      | 998,800      | 998,800      | 999,500      |
| Total Expenditures         | \$23,590,700 | \$24,084,600 | \$24,943,200 | \$25,112,900 |

If approved, the expenditures authorized will be funded from revenues obtained from federal, state and local sources. It is estimated that the amount of revenue from each source for the next four years will be as follows:

**ESTIMATED AMOUNTS OF REVENUE FROM EACH AND ANY SOURCE**

| Source         | 2021-2022    | 2022-2023    | 2023-2024    | 2024-2025    |
|----------------|--------------|--------------|--------------|--------------|
| Federal        | \$ 3,225,000 | \$ 3,225,000 | \$ 3,575,000 | \$ 3,225,000 |
| State          | 5,247,500    | 5,397,500    | 5,551,500    | 5,709,500    |
| Local          | 15,118,200   | 15,462,100   | 15,816,700   | 16,178,400   |
| Total Revenues | \$23,590,700 | \$24,084,600 | \$24,943,200 | \$25,112,900 |

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ALTERNATIVE EXPENDITURE LIMITATION  
DETAILED ANALYSIS

In determining the revenue sources to fund the authorized additional expenditures under the alternative expenditure limitation, it is assumed that the federal, state and local revenues received by the Town will continue to be available in 2021-2022 as they have for the past four (4) years. Their continued availability is also assumed for the next three (3) consecutive years following 2021-2022.

Any and all dollar figures shown in this analysis are estimated figures only and are based upon information available at the time of preparation of this report. The budgets and actual expenditures in any given year may be more or less than the figures noted above depending on available revenues. The actual expenditure limitation for each fiscal year shall be adopted as an integral part of the budget for that fiscal year.