

RESOLUTION NO. 13- 2169

A RESOLUTION OF THE TOWN COMMISSION OF THE TOWN OF SURFSIDE, FLORIDA APPROVING THE RENEWAL OF THE ENGAGEMENT LETTER WITH MARCUM LLP FOR AUDITING SERVICES IN ACCORDANCE WITH THE AUDITOR SELECTION COMMITTEE PROCESS; PROVIDING FOR APPROVAL; PROVIDING FOR AUTHORIZATION; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, in accordance with Florida Statute Section 218.391, the Town established an Auditor Selection Committee in Resolution No. 06-1723 to assist the Town in contracting an auditor to conduct annual financial audits;

WHEREAS, on July 31, 2007, the Town held a Special Meeting and selected and engaged Rachlin Cohen & Holtz as the Town's independent auditors of the Town's financial statements (Exhibit "A"); and

WHEREAS, Florida Statute Section 218.391 provides that renewal of contracts entered into pursuant to the auditor selection process provided for therein, may be renewed without the use of the auditor selection procedures; and

WHEREAS, pursuant to Florida Statute 218.391, the Town has continued to engage "Marcum LLP" formally Rachlin Cohen & Holtz to provide auditing services until year ended September 30, 2012; and

WHEREAS, it is in the best interest of the Town to renew the contract with Marcum LLP for auditing services as provided for in the attached Engagement Letter (see Exhibit "B").

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COMMISSION OF THE TOWN OF SURFSIDE, FLORIDA, AS FOLLOWS:

Section 1. Recitals. The above recitals are true and correct and incorporated

into this Resolution by this reference.

Section 2. Approval. The Town Commission hereby approves the renewal of the engagement letter to conduct financial audits between Marcum LLP and the Town attached hereto as Exhibit "B."

Section 3. Authorization of Town Manager. The Town Manager is hereby authorized to take all steps necessary to complete the execution of this engagement letter.

Section 4. Effective Date. This Resolution shall take effect immediately upon adoption.

Motion by Commissioner Graubart, Second by Commissioner Kligman.

PASSED AND ADOPTED this 11th day of June, 2013

FINAL VOTE ON ADOPTION

Commissioner Joseph Graubart
Commissioner Michelle Kligman
Commissioner Marta Olchyk
Vice Mayor Michael Karukin
Mayor Daniel Dietch

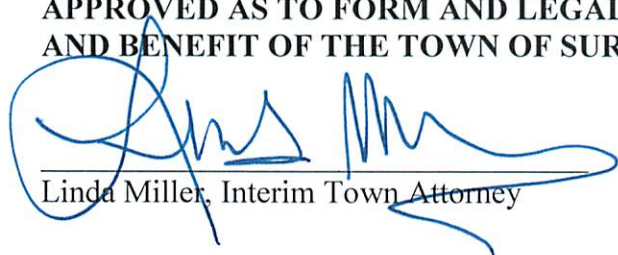
yes
yes
yes
yes
no


Daniel Dietch, Mayor

ATTEST:


Sandra Novoa, CMC
Town Clerk

**APPROVED AS TO FORM AND LEGALITY FOR THE USE
AND BENEFIT OF THE TOWN OF SURFSIDE ONLY:**


Linda Miller, Interim Town Attorney

Rachlin *Cohen*
& Holtz
 Accountants • Advisors

July 24, 2007

W.D. Higginbotham, Jr., Town Manager
 and
 Chairman of the Audit Committee
 Town of Surfside
 9293 Harding Avenue
 Surfside, Florida 33154

Dear Mr. Higginbotham:

We are pleased to confirm our understanding of the services we are to provide the Town of Surfside, Florida (the Town) for the years ended September 30, 2007, 2008, and 2009, with the right to renew the contract for two additional one year terms. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the Town's basic financial statements, as of and for the years ended September 30, 2007, 2008, and 2009. We will not audit the financial statements of the Pension Trust Fund which will be audited by other auditors. As part of our engagement, we will apply certain limited procedures to the Town's required supplementary information (RSI). These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Schedule of Funding Progress.
3. Schedule of Employer Contributions.

Supplementary information other than RSI, such as combining fund financial statements, also accompanies the Town's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements:

1. Combining Fund Financial Statements.

The following additional information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

1. Introductory Section
2. Statistical Section



Rachlin Cohen & Holtz LLP

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ www.rachlin.com

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Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Town and other procedures we consider necessary to enable us to express such opinions. If our opinion on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the Town is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statement of the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. Management is responsible for the basic financial statements and all accompanying information as well as representations contained therein.

You are responsible for management decisions and functions. As part of the audit, we will assist you with the preparation of the draft of your financial statements and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

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Management is responsible for making all financial records and related information available to us, including any significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatement aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud, or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related hereto.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or

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violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

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Audit Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Town; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Rachlin Cohen & Holtz LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to regulatory agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Rachlin Cohen & Holtz LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by any regulatory agency. If we are aware that a federal awarding agency, or auditee is contesting an audit finding, we will contact the party (ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We estimate that our fees for this engagement will be \$47,500, \$51,000, and \$55,000 for fiscal years 2007, 2008, and 2009 respectively. These fees do not include the audit of the Pension Trust Fund which

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will be audited by other auditors. Our hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the audit. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If additional time is required because of unexpected circumstances or for changes in the requirements of the Governmental Accounting Standards Board or our professional auditing standards or changes in the funds structure of the Town, we will discuss these circumstances with you and arrive at a new fee estimate before we incur the additional costs.

Our invoices for these fees will be rendered as the work progresses, and are payable on presentation. In accordance with our firm policies, should any invoices remain unpaid for more than thirty days, we reserve the right to defer providing any additional services until all outstanding invoices are paid. A late payment charge of 1% per month will be added to all unpaid balances after thirty days. You agree that we are not responsible for the impact on the Town of any delay that results from such non-payment by you.

In addition, if the Town is required to undergo a single audit in accordance with the Federal Single Audit Act and OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards* during any year of this contract, the additional fee will be 8,000, 8,500, and 8,500 for 2007, 2008, and 2009 respectively. This fee is also dependent on the number of federal programs that have to be tested as a major program in accordance with the requirements of the Federal Single Audit Act and Circular OMB A-133. Also, a new engagement letter will have to be provided that meets the requirements of the Federal Single Audit Act and OMB Circular A-133.

In addition, if the Town is required to undergo a single audit in accordance with the Florida Single Audit Act and Chapter 10.550 Rules of the Auditor General of the State of Florida during any year of this contract, the additional fee will be 8,000, 8,500, and 8,500 for 2007, 2008, and 2009 respectively. This fee is also dependent on the number of state programs that have to be tested as a major program in accordance with the requirements of the Florida Single Audit Act and the Rules of the Auditor General, Chapter 10.550. Also, a new engagement letter will have to be provided that meets the requirements of the Florida Single Audit Act.

We acknowledge your right to terminate our services at any time, and you acknowledge our right to resign at any time (including instances where in our judgment, our independence has been impaired or we can no longer rely on the integrity of management), subject in either case to our right to payment for charges incurred to the date of termination or resignation.

It is our goal to maintain a constructive and positive relationship with you. If for any reason you are dissatisfied with the quality or costs of our services, please let us know so we can discuss and, hopefully, rectify the problem. Should we be unable to amicably resolve any such dispute, we believe a prompt and fair resolution, without the time and expense of formal court proceedings, would be in our mutual

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interests. To this end, we both agree that any controversy (including fee disputes and malpractice claims) we may have shall be submitted to binding arbitration to be conducted in Florida before the American Arbitration Association (AAA) in accordance with the Commercial Arbitration Rules of the AAA. We both waive any right to bring a court action, or to have a jury trial, and agree that the party prevailing in any arbitration shall be entitled to recover from the non-prevailing party its reasonable attorney's fees and costs, including fees and costs which might be incurred in litigation related to the arbitration. In accordance with our firm's policy, the terms of this engagement letter are subject to approval by our internal Client Acceptance Committee.

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

This contract is renewable at the option of the Town. We appreciate the opportunity to be of service to the Town and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,



Michael D. Futterman, CPA
Partner

RESPONSE:

This letter correctly sets forth the understanding of Town of Surfside.

By: 

Title: Town Manager

Date: August 2, 2007



May 17, 2013

Honorable Mayor, Town Commission and Town Manager
Town of Surfside
9293 Harding Avenue
Surfside, FL 33154

Re: Engagement of Marcum LLP

We are pleased to confirm our understanding of the services we are to provide Town of Surfside, Florida (the Town) for the fiscal years ending September 30, 2013, 2014, and 2015 with the option to renew for each of the two subsequent fiscal years 2016 and 2017. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of Town of Surfside as of and for the fiscal years ending September 30, 2013, 2014, and 2015 with the option to renew for each of the two subsequent fiscal years 2016 and 2017. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Town's basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Town's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Funding Progress – Pensions
- 3) Schedule of Employer Contributions - Pensions
- 4) Schedule of Funding Progress - OPEB
- 5) Budgetary Comparison Schedules



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We have also been engaged to report on supplementary information other than RSI that accompanies Town's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the basic financial statements as a whole:

- 1) Schedule of Expenditures of Federal Awards and State Financial Assistance
- 2) Combining and Individual Fund Financial Statements and Schedules

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

- 1) Introductory Section
- 2) Statistical Section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with the provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal

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control over financial reporting and compliance and with OMB Circular A-133, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida and other procedures we consider necessary to enable us to express such an opinion and to render the required reports.

We will make reference to A.M. Jones C.P.A., P.A.'s (component auditor) audit of the Retirement Plan for Employees of the Town of Surfside in our report on your financial statements. We will also obtain confirmation from the component auditor of their independence, awareness that we intend to place reliance on their audit, and their familiarity with U.S. generally accepted accounting principles and generally accepted auditing standards and *Government Auditing Standards*. In addition, we will also request a copy of the component auditors' most recent peer review report.

If during the course of our work it appears for any reason that we will not be in a position to render an unmodified opinion on the financial statements or the Single Audit compliance opinion, or that our report will require an emphasis-of-matter paragraph, we will discuss this with you. If for any reason, we are unable to complete the audit or we are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require us to do so, we may resign from the engagement prior to completion.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Town or to acts by management or employees acting on behalf of the Town. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitation of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from the Town's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133 and the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to

management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133 and the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town's compliance with provision of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 and the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* and the State of Florida compliance supplement for the types of compliance requirements that could have a direct and material effect on each of the Town's major programs. The purpose of these procedures will be to express an opinion on the Town's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133 and the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards and state financial assistance in accordance with the requirements of OMB Circular A-133 and the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal and state awards and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal and state awards and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and the schedule of expenditures of federal awards and state financial assistance and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards and state financial assistance and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

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Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities; to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town and the respective changes in financial position and, where applicable, cash flows in conformity with U. S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the town received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Town complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

You are responsible for preparation of the schedule of expenditures of federal and state awards in conformity with OMB Circular A-133 the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida. You agree to include our report on the schedule of expenditures of federal and state awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal and state awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of

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federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal and state awards no later than the date the schedule of expenditures of federal and state awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards and state financial assistance in accordance with OMB Circular A-133 the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida; (2) that you believe the schedule of expenditures of federal awards and state financial assistance, including its form and content, is fairly presented in accordance with OMB Circular A-133 the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You are also responsible for the preparation of the other supplementary information which we have been engaged to report on in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

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

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

Report Distribution

We will provide copies of our reports to the Town, however, management is responsible for distribution of the reports and the financial statements to those charged with governance and to others.

Communication with Those Charged with Governance

As part of our engagement, we are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process as well as other matters we believe should be communicated to those charged with governance. Generally accepted auditing standards do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance. Such matters include, but are not limited to, (1) the initial selection of and changes in significant accounting policies and their application; (2) the process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusions regarding the reasonableness of those estimates; (3) all passed audit adjustments; (4) any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or our report; (5) our views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters; (6) major issues that were discussed with management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; (7) serious difficulties that we encountered in dealing with management related to the performance of the audit; and (8) matters relating to our independence as your auditors.

Reproduction of Auditors' Report

If you intend to publish or otherwise reproduce the financial statements and make reference to our Firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed. In addition, to avoid unnecessary delay or misunderstanding, it is important that you give us timely notice of your intention to issue any such document.

Assistance By Your Personnel

We will ask that your personnel, to the extent possible, prepare required schedules and analyses, and make selected invoices and other required documents available to our staff. This assistance by your personnel will serve to facilitate the progress of our work and minimize our time requirements.

Background Checks

As a matter of Firm policy, we perform background checks, which may require out-of-pocket expenses, on potential clients and/or on existing clients, on an as-determined basis. The terms and conditions of this engagement are expressly contingent upon the satisfactory completion of our investigatory procedures and we reserve the right to withdraw from any relationship should information which we deem to be adverse come to our attention. The results of all background checks and other investigatory procedures are submitted to, and reviewed by, our Firm's Client Acceptance Committee.

Independence

Professional standards require that a firm and its members maintain independence throughout the duration of the professional relationship with a client. In order to preserve the integrity of our relationship, no offer of employment shall be discussed with any Marcum LLP professionals assigned to the audit, including within the one year period prior to the commencement of the year end audit. Should such an offer of employment be made, or employment commences during the indicated time period, we will consider this an indication that our independence has been compromised. As such, we may be required to recall our auditors' report due to our lack of independence. In the event additional work is required to satisfy independence requirements, such work will be billed at our standard hourly rates.

Access to Working Papers

The working papers prepared in conjunction with our engagement are the property of Marcum LLP and constitute confidential information subject to the Public Records Laws of the Florida Statutes. These working papers will be retained by us in accordance with applicable laws and our Firm's policies and procedures. However, we may be required, by law or regulation, to make certain working papers available to regulatory authorities for their review, and upon request, we may be required to provide such authorities with photocopies of selected working papers.

The Firm is required to undergo a "Peer Review" every three years. During the course of a Peer Review engagement, selected working papers and financial reports, on a sample basis, will be inspected by an outside party on a confidential basis. Consequently, the accounting and/or auditing work we performed for you may be selected. Your signing this letter represents your acknowledgement and permission to allow such access should your engagement be selected for review.

As a result of our prior or future services to you, we may be required or requested to provide information or documents to you or a third-party in connection with a legal or administrative

proceeding (including a grand jury investigation) in which we are not a party. If this occurs, our efforts in complying with such requests or demands will be deemed a part of this engagement and we shall be entitled to compensation for our time and reimbursement for our reasonable out-of-pocket expenditures (including legal fees) in complying with such request or demand. This is not intended, however, to relieve us of our duty to observe the confidentiality requirements of our profession.

Third-Party Service Providers

The Firm may, from time to time, and depending on the circumstances, use third-party service providers to assist us with the audit of your financial statements. We may share confidential information about you with the third-party service providers, but remain committed to maintaining the confidentiality of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your information. Furthermore, the Firm will remain responsible for the work performed by such third-party service providers.

Dispute Resolution Procedure, Waiver of Jury Trial and Jurisdiction and Venue for Any and All Disputes Under This Engagement Letter and Governing Law

AS A MATERIAL INDUCEMENT FOR US TO ACCEPT THIS ENGAGEMENT AND/OR RENDER THE SERVICES TO THE GOVERNMENT UNIT IN ACCORDANCE WITH THE PROVISIONS OF THIS ENGAGEMENT LETTER

This Firm and the Town each hereby knowingly, voluntarily and intentionally waive any right either may have to a trial by jury with respect to any litigation based hereon, or arising out of, under or in connection with this engagement letter and/or the services provided hereunder, or any course of conduct, course of dealing, statements (whether verbal or written) or actions of either party.

This Firm and the Town each expressly agree and acknowledge that the Circuit Court of the 11th Judicial Circuit, in and for the Miami-Dade County, Florida, and the United States District Court for the Southern District of Florida, shall each have exclusive and sole jurisdiction and venue for any respective state or federal actions arising from, relating to or in connection with this engagement letter, or any course of conduct, course of dealing, statement or actions of either party arising after the date of this engagement letter.

The terms and provisions of this engagement letter, any course of conduct, course of dealing and/or action of this Firm and/or the Town and our relationship with you shall be governed by the laws of the State of Florida to the extent said laws are not inconsistent with the Federal Securities Laws and Rules, Regulations and Standards there under. In any litigation brought by either this Firm or the Organization, the prevailing party shall be entitled to an award of its reasonable attorneys' fees and costs incurred, including through all appeals.

We acknowledge your right to terminate our services at any time, and you acknowledge our right to resign at any time (including instances where in our judgment, our independence has been impaired or we can no longer rely on the integrity of management), subject in either case to our

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right to payment for all direct and indirect charges incurred through the date of termination or resignation.

Other Services

We are always available to meet with you and/or other management personnel at various times throughout the year to discuss current business, operational, accounting and auditing matters affecting your Organization. Whenever you feel such meetings are desirable please let us know; we are prepared to provide services to assist you in any of these areas.

Timeline

Our engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Fees

Our fee for these services will be based on the actual time spent at our discounted hourly rates. Our discounted hourly rates vary according to the level of the personnel assigned to your engagement. Our invoices for these fees will be rendered as the work progresses, and are due and payable upon presentation. In accordance with our Firm policies, should any invoice remain unpaid for more than thirty days, we reserve the right to defer providing any additional services until all outstanding invoices are paid in full. Amounts past due 60 days from the invoice date will incur a finance charge of 1% per month. You agree that we are not responsible for the impact on your organization of any delay that results from such non-payment by you.

The financial audit professional services can be completed for a fee of \$55,000, \$57,000, and \$59,000 for the fiscal years ending September 30, 2013, 2014, and 2015 respectively (excluding any Federal or State single audit requirements; see below or any other special audit or special services requested by the Town). The fees for the option years (2016 and 2017) will be discussed and a mutually agreed upon. The estimate of our fee is based on certain assumptions, including the required assistance described above. To the extent that certain circumstances including, but not limited to those listed in Appendix A, arise during the engagement, our fee estimate may be significantly affected and additional fees may be necessary. Additional services provided beyond the described scope of services will be billed separately.

If the Town is required to undergo a single audit in accordance with the Federal Single Audit Act and OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, the additional fee will be \$7,000 for the fiscal year ending September 30, 2013. This fee may be dependent on the number of programs determined to be a major program based on the determination required by OMB Circular A-133. If during any other year of the agreement, the Town is required to undergo a federal single audit, we will discuss a fee with you at that time.

If the Town is required to undergo a single audit in accordance with the Florida Single Audit Act and Chapter 10.550, Rules of the auditor General of the State of Florida, the additional fee will

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be \$7,000 for the fiscal year ending September 30, 2013. This fee may be dependent on the number of programs determined to be a major program based on the determination required by the Florida Single Audit Act. If during any other year of the agreement, the Town is required to undergo a Florida single audit, we will discuss a fee with you at that time.

Agreement

This letter comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals oral or written and all other communications between the parties. If any provision of this letter is determined to be unenforceable, all other provisions shall remain in force.

It is hereby understood and agreed that this engagement is being undertaken solely for the benefit of the Town of Surfside and that no other person or entity shall be authorized to enforce the terms of this engagement.

If you agree with the terms of our engagement, as described in this letter, please sign the engagement letter and return a copy to us.

This agreement is renewable at the option of the Town. We appreciate the opportunity to be of continued service to the Town of Surfside and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,

Marcum LLP

Michael Futterman

Michael D. Futterman, CPA
Partner

ACCEPTED

This letter correctly sets forth the agreement of the **Town of Surfside**.

Authorized Signature: *Michael Corthy*

Title: *Town manager*

Date Signed: *6-14-13*

approved by Commission at 6/11/13 Meeting

APPENDIX A

Town of Surfside, Florida Circumstances Affecting Timing and Fee Estimate

The estimated fee is based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary. Such circumstances include but are not limited to the following:

1. Changes to the timing of the engagement at your request. Changes to the timing of the engagement usually require reassignment of personnel used by Marcum LLP (Marcum) in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, Marcum may incur significant unanticipated costs.
2. All requested schedules are not (a) provided by the accounting personnel on the date requested, (b) completed in a format acceptable to Marcum (c) mathematically correct, or (d) in agreement with the appropriate underlying records (e.g., general ledger accounts). Marcum will provide the accounting personnel with a separate listing of required schedules and deadlines.
3. Weaknesses in the internal control structure.
4. Significant new issues or unforeseen circumstances as follows:
 - a. New accounting issues that require an unusual amount of time to resolve.
 - b. Changes or transactions that occur prior to the issuance of our report.
 - c. Changes in the Organization's accounting personnel, their responsibilities, or their availability.
 - d. Changes in auditing requirements set by regulators.
5. Significant delays in the accounting personnel's assistance in the engagement or delays by them in reconciling variances as requested by Marcum. All invoices, contracts and other documents which we will identify for the Organization, are not located by the accounting personnel or made ready for our easy access.
6. A significant level of proposed audit adjustments are identified during our audit.
7. Changes in audit scope caused by events that are beyond our control.
8. Untimely payment of our invoices as they are rendered.