

RESOLUTION NO. 2003- 47

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA, APPROVING AN EXTENSION OF THE RETAINER AGREEMENT BETWEEN THE CITY OF MARATHON AND RACHLIN, COHEN & HOLTZ, LLP FOR AUDITING SERVICES; AUTHORIZING THE CITY MANAGER TO EXPEND FUNDS; AUTHORIZING THE MAYOR TO EXECUTE THE AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Section 218.39 Florida Statutes, requires that Florida municipalities retain auditors to perform an annual independent audit;

WHEREAS, the City of Marathon (the "City") solicited proposals, in accordance with the City's Auditor Selection Procedures, for auditing services for the fiscal year ending September 30, 2000 and after review of the submitted proposal elected to hire Rachlin, Cohen & Holtz, LLP (the "Auditor");

WHEREAS, the Auditor has performed services for the City in a timely and efficient manner; and

WHEREAS, the City Council desires to extend the Auditor's contract.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA, AS FOLLOWS:

Section 1. Recitals. The above recitals are true and correct and are incorporated herein by this reference.

Section 2. Approval of Contract Extension. The Agreement between the City of Marathon and Rachlin, Cohen & Holtz, LLC for an extension of auditing services for the City (the "Agreement"), a copy of which is attached as Exhibit "A," together with such non-

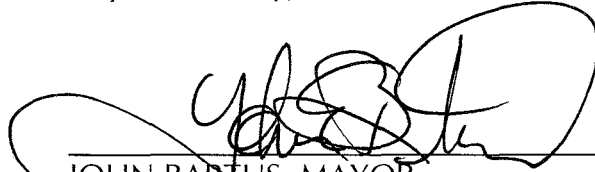
material changes as may be acceptable to the City Manager and approved as to form and legality by the City Attorney, is hereby approved for auditing services up to and including fiscal year ending September 30, 2003.

Section 3. Authorization of Fund Expenditure. The City Manager is authorized to expend budgeted funds, up to the amount of the Contract, to implement the terms and conditions of the Agreement.

Section 4. Authorization to Execute. The Mayor is authorized to execute said agreement.

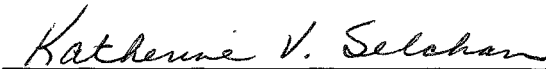
Section 5. Effective Date. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED this 25th day of February, 2003.



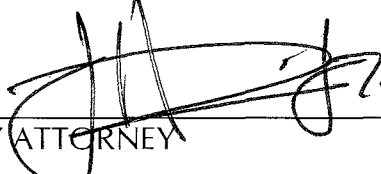
JOHN BARTUS, MAYOR

ATTEST:



CITY CLERK

APPROVED AS TO LEGAL SUFFICIENCY



CITY ATTORNEY



Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

January 27, 2003

W. Scott Jenke, City Manager
City of Marathon
10045-55 Overseas Highway
Marathon, Florida 33050

Dear Scott:

As part of our continuing engagement with the City of Marathon, Florida (the City), we are pleased to confirm our understanding of the services we are to provide to the City of Marathon for the fiscal year ended September 30, 2003, with an option to extend this engagement for the fiscal years ended September 30, 2004 and 2005. We will audit the financial statements of the City of Marathon, Florida as of and for the fiscal years ended described above. We understand that the financial statements for the fiscal year ended September 30, 2003 will be presented in accordance with the financial reporting model described prior to GASB Statement No. 34. The City will be required to implement GASB Statement No. 34 for the fiscal year ended September 30, 2004, therefore, the financial statements for the fiscal year ended September 30, 2004 will be presented in accordance with the model described in GASB Statement No. 34. Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the basic financial statements:

1. Schedule of expenditures of federal awards and state financial assistance (as applicable).
2. Managements Discussion & Analysis (with implementation of GASB 34).
3. Combining and individual fund statements and schedules.
4. Required Supplementary Information.

The document will also include the following additional information that will not be subject to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

1. Statistical section

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on -

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The report on internal control and compliance will each include a statement that the report is intended for the information and use of the City Council, management, and specific legislative or regulatory bodies.

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Our audit will be conducted in accordance with auditing standards generally accepted in the United States, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and will include tests of accounting records, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. 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 an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal and state award programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements but the responsibility for the financial statements remains with you. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting and compliance, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 caused by error or fraud. 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 (whether caused by errors or fraud), illegal acts, or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements, immaterial illegal



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acts, or illegal acts that do not have a direct effect on the financial statements. However, we will inform you of any material errors that come to our attention and any fraud that comes to our attention. We will also inform you of any illegal acts that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a financial 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

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinions on the City of Marathon's financial statements.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. 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. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. 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 reportable conditions. However, we will inform the City Council and management of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We will also inform you of any nonreportable conditions or other matters involving internal control, if any.



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Audit Procedures—Compliance

Our audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Marathon'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*.

Audit Administration, Fees, and Other

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

The workpapers for this engagement are the property of Rachlin Cohen & Holtz LLP and constitute confidential information. However, we may be requested to make certain workpapers available to a regulatory or grantor agency pursuant to authority given to it by law or regulation. If requested, access to such workpapers will be provided under the supervision of Rachlin Cohen & Holtz LLP personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to a regulatory or grantor agency. The regulatory or grantor agency may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

The workpapers for this engagement will be retained for a minimum of three years after the date the auditors' report is issued or for any additional period requested by the regulatory or grantor agency. If we are aware that any regulatory agency, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the workpapers.

Our fee for these services are estimated to be \$22,000 for the fiscal year ended September 30, 2003. We estimate the fees for the fiscal year ended September 30, 2004 will be \$28,000 which includes the recasting of the City's financial statements to conform to GASB Statement No.34. We estimate the fees for the fiscal year ended September 30, 2005 (the option year) of this engagement will be \$24,000. Our invoices for these services will be rendered as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. 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 there are significant changes to the nature of the operations and the fund structure of the City, we will discuss the additional time necessary to complete the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.



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Implementation of GASB 34 – *Basic Financial Statements and Management Discussion & Analysis for State and Local Governments*, will be required for the fiscal year ending September 30, 2004. Implementation consultation may be necessary during fiscal year ending September 30, 2003. We estimate the fees for consultation regarding implementation of GASB Statement No. 34 prior to its required date to range from \$1,000 to \$3,000 which is dependent on the nature of the assistance requested by the City.

If applicable, and in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *Rules of the Auditor General*, Chapter 10.550 and the *Florida Single Audit Act*, Section 215.97, Florida Statutes, if the City is required to have an audit of federal award programs or state financial assistance projects, we will discuss the fees for the additional services before providing those services. Generally, those services would range between \$5,500 and \$6,500 for each federal or Florida single audit act testing and reporting.

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.

In the event that we determine to resign, and you seek damages allegedly resulting from such resignation, our maximum liability to you in the event we are held liable because of such resignation shall be limited to the fees actually paid to us to the date of resignation.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report. Our 2001 peer review report accompanies this letter.

This contract is renewable at the option of the City of Marathon. We appreciate the opportunity to be of continued service to the City of Marathon 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,

A handwritten signature in cursive script that reads "Michael D. Futterman".

Michael D. Futterman, CPA
Director



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RESPONSE:

This letter correctly sets forth the understanding of the City of Marathon, Florida.

By: W. Scott Jenke

Title: City Manager

Date: 3/24/03



Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

January 9, 2001

Mr. Randy White, Finance Director
City of Marathon
210 N. University Drive, Suite 301
Coral Springs, Florida 33071

Dear Randy:

We are pleased to confirm our understanding of the services we are to provide for the City of Marathon, Florida (the City). We will audit the general purpose financial statements of the City as of and for the fiscal year ended September 30, 2000 and if the City elects to exercise the option for the two subsequent fiscal years, we will audit the general purpose financial statements for the fiscal years ended September 30, 2001 and 2002.

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your general purpose financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. Our audit will be conducted in accordance with 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 City and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the general purpose 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 an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide reports (that do not include opinions) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*.

Management Responsibilities

Management is responsible for establishing and maintaining internal control and for compliance with laws, regulations, contracts, and agreements. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements,

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but the responsibility for the financial statements remains with you. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting, the selection and application of accounting principles, and the safeguarding of assets.

Management is responsible for adjusting financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the general purpose financial statements taken as a whole

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 caused by error or fraud. Because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that a material misstatement may exist and not be detected by us. In addition, an audit is not designed to detect errors, fraud, or other illegal acts that are immaterial to the general purpose financial statements. However, we will inform you of any material errors and any fraud that comes to our attention. We will also inform you of any other illegal acts that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to 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.

Identifying and ensuring that the City complies with laws, regulations, contracts and agreements is the responsibility of management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we will perform tests of the City's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Audit Procedures-Internal Controls

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinion on the City's general purpose financial statements.



Mr. Randy White, Finance Director
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We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. 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 general purpose 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 general purpose 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.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the governing body or audit committee of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Audit Administration, Fees and Other

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

The workpapers for this engagement are the property of Rachlin Cohen & Holtz LLP and constitute confidential information. However, we may be requested to make certain workpapers available to regulatory agencies pursuant to authority given to it by law or regulation. If requested, access to such workpapers will be provided under the supervision of Rachlin Cohen & Holtz LLP personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to the regulatory agency. The regulatory agency may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

Our fees for these services are estimated to be \$13,000 for the year ended September 30, 2000; if the City exercises its option for the subsequent two fiscal years, the fees would be \$21,000 and \$22,000, respectively, for the years ended September 30, 2001 and 2002. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered as the work progresses and are payable on presentation. 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 significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. If additional time is necessary due to an increase in the number of funds (i.e., increase in level of services provided by the City), significant changes in Governmental Accounting Standards Board Pronouncements and other similar matters that are not contemplated by this letter, we will discuss these matters with you prior to commencement of the work.



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The City will be required to implement Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, for the fiscal year ending September 30, 2004. Our fee estimate does not contemplate fees for consultation or implementation efforts for GASB Statement No. 34.

If the City is required to have a Single Audit performed in accordance with generally accepted auditing standards; 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, *Audits of States, Local Governments, and Non-Profit Organizations*, during the periods covered by this letter, we will prepare an addendum to this letter indicating the additional services and fees necessary to complete the engagement. If additional services are required or requested as a result of the City receiving grant funds under the new Florida Single Audit Act, we will prepare an addendum to this letter indicating the additional services and fees necessary to complete the engagement.

We appreciate the opportunity to be of service to you 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
Director - Miami

cc. Craig Wrathell, City Manager

APPROVED:

This letter correctly sets forth the understanding of the City of Marathon, Florida.

Signed:
Title: FINANCE DIRECTOR
Date: 1-11-01