

INDEPENDENT AUDITING SERVICES AGREEMENT

This Independent Auditing Services Agreement ("Agreement") is entered into this 14th day of July 2020, by and between Indian River County, a political subdivision of the State of Florida, 1801 27th Street, Vero Beach, FL 32960 ("County") and Rehmann Robson, LLC, a Michigan limited liability company, having a principal place of business at 5070 N. Highway A1A, Suite 250, Vero Beach, FL 32963 ("Auditor").

BACKGROUND RECITALS

- A. Pursuant to Florida Statutes section 218.391, as amended by Chapter 2005-32, and Chapter 2019-15, the County issued a Request for Proposals for independent auditing services.
- B. Pursuant to applicable Florida law and the Request for Proposals, the County's duly-constituted Auditor Selection Committee received proposals and ranked the firms that responded to the Request for Proposals based on the evaluative criteria set forth in the Request for Proposals.
- C. The Auditor was the highest ranked respondent to the Request for Proposals and on June 23, 2020, the County approved the Auditor Selection Committee recommendation to appoint Auditor to provide the independent auditing services set forth in the Request for Proposals and this Agreement.
- D. Auditor is willing and able to perform the services as set forth in this Agreement on the terms and conditions set forth below.
- E. The County and the Auditor wish to enter into this Agreement for the independent auditing services as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

1. DESCRIPTION OF COUNTY RECORDS TO BE AUDITED. The records of the County that will be audited by Auditor, pursuant to this Agreement, are as set forth in Exhibit "A" attached hereto and incorporated herein by this reference in its entirety.
2. SCOPE OF INDEPENDENT AUDITING SERVICES. The scope of independent audit services provided under this Agreement shall be in accordance with the provisions of Florida Statutes and the Rules of the Auditor General, as may be amended from time to time, and more specifically set forth in Exhibit "B" attached hereto and incorporated herein by this reference in its entirety ("Services"). The Services are to be performed in accordance with generally accepted auditing standards in addition to the following: 1) Florida Statutes; 2) Regulations of the Florida Department of Financial Services; 3) Rules of the Auditor General (Chapter 10.550, Local Government Entity Audits); 4) Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, published by the U.S. Governmental Accountability Office; 5) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards

(Uniform Guidance); and 6) any other current or future applicable federal, state and local laws or regulations or professional guidance. Auditor agrees that each audit prepared under this Agreement shall conform to the requirements set forth herein. The County is progressive in its attitude toward new accounting standards, and early implementation is practiced when recommended.

3. AUDIT RESPONSIBILITIES.

3.1. The "Audit approach," consisting of pages 29 through 31 of the Auditor's Proposal for Independent Auditing Services, and the "Detailed audit approach" consisting of 10 pages in the Appendix section of same proposal, all set forth in Exhibit "C" attached hereto and incorporated herein by this reference in their entirety, set forth the framework under which the Services will be performed under this Agreement.

3.2. The County has received the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the 1983 through 2018 Comprehensive Annual Financial Reports ("CAFR"). The CAFR for each of the fiscal years covered by this Agreement will be submitted for consideration for such Certificate. Auditor shall provide technical assistance to help the County meet the requirements to attain such Certificate.

3.3. Auditor acknowledges and agrees that it possesses the ability to store all working papers and reports at the Auditor's expense for a minimum of five years, unless Auditor is notified by the County to extend the retention period. The Auditor will be required to make working papers available, upon request, to the following parties or their designees: the County; U.S. Department of Housing and Urban Development; General Accounting Office; parties to an audit quality review process; and auditors of entities of which the County is a recipient of grant funds. In addition, Auditor shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers.

3.4. Auditor agrees to comply with all applicable Federal, State, and local laws and regulations applicable to the furnishing of the Services set forth in this Agreement, and any provisions required thereby to be included herein shall be deemed to be incorporated herein by reference.

4. ADDITIONAL SERVICES. It is the intent of the County that future additional audit requirements, imposed on the County by applicable national and state agencies, shall be provided by the Auditor under this Agreement and included in the negotiated compensation in this Agreement. The Auditor acknowledges and agrees that any future additional audit requirements, imposed on the County by applicable national and state agencies, are included within the negotiated compensation set forth in this Agreement.

5. AUDITOR AUDIT TEAM. The Auditor shall assign members of its staff, as identified in the "Qualifications of audit staff" section consisting of page 9 of the Auditor's Proposal for Independent Auditing Services, attached hereto as Exhibit "C" and incorporated herein by this reference in its entirety ("Auditor Audit Team"). The Auditor agrees that the County shall have the right to approve the Auditor's Audit Team, and that the Auditor shall not change any manager of its Auditor's Audit Team without prior written notice to the County. Furthermore, if any manager of the Auditor's Audit Team is removed from providing Services under this Agreement, or employment is otherwise terminated or curtailed by the Auditor, or if any

manager of the Auditor's Audit Team terminates employment with the Auditor, then the Auditor shall promptly replace its Auditor's Audit Team manager with a person of comparable experience and expertise, who shall also be subject to the County's approval. The County acknowledges and agrees that its approval shall not be unreasonably withheld.

6. TERM; TERMINATION.

6.1. This Agreement shall remain in effect for a term of five (5) years, subject to sooner termination as provided herein.

6.2. This Agreement may be terminated: (a) by the County, for any reason, upon at least ninety (90) days' prior written notice to the Auditor; or (b) by the Auditor, for any reason, upon at least ninety (90) days' prior written notice to the County; or (c) by the mutual agreement of the parties; or d) as may otherwise be provided below. In the event of the termination of this Agreement, any liability of one party to the other arising out of any Services rendered, or for any act or event occurring prior to the termination, shall not be terminated or released.

6.3. In the event of termination by the County, the County's sole obligation to the Auditor shall be payment for those portions of satisfactorily completed work under this Agreement. Such payment shall be determined on the basis of the hours of work performed by the Auditor, or the percentage of work completed as estimated by the Auditor and agreed upon by the County up to the time of termination. In the event of such termination, the County may, without penalty or other obligation to the Auditor, elect to employ other persons to perform the same or similar services.

6.4. The obligation to provide Services under this Agreement may be terminated by either party upon seven (7) days prior written notice in the event of substantial failure by the other party to perform in accordance with the terms of this Agreement through no fault of the terminating party.

6.5. In the event that the Auditor merges with another company, becomes a subsidiary of, or makes any other substantial change in structure, the County reserves the right to terminate this Agreement in accordance with its terms under item 6.2.

6.6. In the event of termination of this Agreement, the Auditor agrees to provide copies of any and all documents prepared by the Auditor for the County in connection with this Agreement.

7. COMPENSATION.

7.1. The County shall pay to the Auditor the mutually agreed upon not-to-exceed annual professional fees as follows:

Fiscal year 2020	\$190,000 (One Hundred and Ninety Thousand Dollars)
Fiscal year 2021	\$195,000 (One Hundred and Ninety-Five Thousand Dollars)
Fiscal year 2022	\$200,000 (Two Hundred Thousand Dollars)
Fiscal year 2023	\$205,000 (Two Hundred Five Thousand Dollars)
Fiscal year 2024	\$210,000 (Two Hundred Ten Thousand Dollars)

These amounts are payable as follows in each calendar year: October \$40,000; November \$40,000; December \$40,000; January \$40,000; February \$20,000; and the remaining balance upon completion of the audit.

7.2. Proper Invoices, phased as set forth herein, shall be submitted to the County's Finance Department in detail sufficient for proper prepayment and post payment audit. All payments for services shall be made to the Auditor by the County in accordance with the Local Government Prompt Payment Act, Section 218.70, Florida Statutes, et seq., attached hereto and incorporated herein by this reference in its entirety.

8. INSURANCE.

8.1. The Auditor shall not commence to perform the Services under this Agreement until it has obtained all the insurance required under this Agreement, and such certificates of insurance have been approved by the County's Risk Manager. A certificate of insurance shall be provided to the County's Risk Manager for review and approval ten (10) days prior to commencement of any work under this Agreement. The insurance company must have a rating by A.M. Best Company of at least A: V. Such certificates of insurance or an endorsement provided by the Auditor must state that the County will be given thirty (30) days prior written notice prior to cancellation or material change in coverage. The County shall be named as an additional insured on all policies except workers' compensation.

8.2 Auditor shall procure and maintain, for the duration of this Agreement, the minimum insurance coverage as set forth herein. The cost of such insurance shall be included in the Auditor's fee:

8.2.1. Workers' compensation to meet statutory limits in the State of Florida and Employer's Liability with a limit of \$100,000 for each accident, \$500,000 disease (policy limit) and \$100,000 disease (each employee).

8.2.2. Commercial General Liability with a minimum combined single limit of \$1,000,000 per occurrence for bodily injury and property damage. This is to include premises/operations, products/completed operations, contractual liability and independent contractors coverage.

8.2.3. Business Auto Liability with a minimum combined single limit of \$300,000 per occurrence for bodily injury and property damage. This is to include owned, hired, and non-owned autos.

8.2.4. Professional liability with a minimum limit of \$1,000,000 per occurrence.

8.3. The County is to be an additional insured on the commercial general liability and business liability policies. The County will be given 30 days notice prior to cancellation or modification of any insurance. Such notification shall be in writing by registered mail, return receipt requested and addressed to the Risk Manager. It is the responsibility of the contractor to insure that all subcontractors comply with all insurance requirements.

8.4. The County, by and through its Risk Manager, reserves the right periodically to review any and all policies of insurance and reasonably to adjust the limits of coverage required

hereunder, from time to time throughout the term of this Agreement. In such event, the County shall provide the Auditor with separate written notice of such adjusted limits and Auditor shall comply within thirty (30) days of receipt thereof. The failure by Auditor to provide such additional coverage shall constitute a default by Auditor and shall be grounds for termination of this Agreement by the County.

9. INDEPENDENT CONTRACTOR. It is specifically acknowledged and agreed by the parties hereto that the Auditor is and shall be, in the performance of all Services and activities under this Agreement, an independent contractor, and not an employee, agent, or servant of the County. All persons engaged in any of the Services performed pursuant to this Agreement shall at all times, and in all places, be subject to the Auditor's sole direction, supervision, and control. The Auditor shall exercise control over the means and manner in which Auditor and its employees perform the Services, and in all respects the Auditor's relationship and the relationship of its employees to the County shall be that of an independent contractor performing solely under the terms of the Agreement and not as employees, agents, or servants of the County.

10. MERGER; MODIFICATION. This Agreement incorporates and includes all prior and contemporaneous negotiations, correspondence, conversations, agreements or understandings applicable to the matters contained herein and the parties agree that there are no commitments, agreements, or understandings of any nature whatsoever concerning the subject matter hereof that are not contained in this document. Accordingly, it is agreed that no deviation from the terms hereof shall be predicated upon any prior or contemporaneous representations or agreements, whether oral or written. No alteration, change, or modification of the terms of this Agreement shall be valid unless made in writing and signed by the Auditor and the County.

11. GOVERNING LAW; VENUE. This Agreement, including all attachments hereto, shall be construed according to the laws of the State of Florida. Venue for any lawsuit brought by either party against the other party or otherwise arising out of this Agreement shall be in Indian River County, Florida, or, in the event of federal jurisdiction, in the United States District Court for the Southern District of Florida.

12. REMEDIES; NO WAIVER. All remedies provided in this Agreement shall be deemed cumulative and additional, and not in lieu or exclusive of each other or of any other remedy available to either party, at law or in equity. Each right, power and remedy of the parties provided in this Agreement shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. The failure of either party to insist upon compliance by the other party with any obligation, or exercise any remedy, does not waive the right to do so in the event of a continuing or subsequent delinquency or default. A party's waiver of one or more defaults does not constitute a waiver of any other delinquency or default. If any legal action or other proceeding is brought for the enforcement of this Agreement or because of an alleged dispute, breach, default, or misrepresentation in connection with any provisions of this Agreement, each party shall bear its own costs.

13. SEVERABILITY. If any term or provision of this Agreement, or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable for the

remainder of this Agreement, then the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected, and every other term and provision of this Agreement shall be deemed valid and enforceable to the extent permitted by law.

14. AVAILABILITY OF FUNDS. The obligations of the County under this Agreement are subject to the availability of funds lawfully appropriated for its purpose by the Board of County Commissioners of Indian River County.

15. NO PLEDGE OF CREDIT. The Auditor shall not pledge the County's credit or make it a guarantor of payment or surety for any contract, debt, obligation, judgment, lien, or any form of indebtedness.

16. PUBLIC RECORDS. The County is a public agency subject to Chapter 119, Florida Statutes. Auditor shall comply with Florida's Public Records Law. Specifically, Auditor shall:

- (1) Keep and maintain public records that ordinarily and necessarily would be required by the County in order to perform the service.
- (2) Provide the public with access to public records on the same terms and conditions that the County would provide the records and at a cost that does not exceed the cost provided in chapter 119 or as otherwise provided by law.
- (3) Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law.
- (4) Meet all requirements for retaining public records and transfer, at no cost, to the County all public records in possession of the Auditor upon termination of the Agreement and destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. All records stored electronically must be provided to the County in a format that is compatible with the information technology systems of the County.

Failure of the Auditor to comply with these requirements shall be a material breach of this Agreement.

17. NOTICES. Any notice, request, demand, consent, approval, or other communication required or permitted by this Agreement shall be given or made in writing and shall be served, as elected by the party giving such notice, by any of the following methods: (a) Hand delivery to the other party; (b) Delivery by commercial overnight courier service; or (c) Mailed by registered or certified mail (postage prepaid), return receipt requested at the addresses of the parties shown below:

County: Indian River County
Attn: Elissa Nagy, Finance Director
1801 27th Street, Vero Beach, FL 32960-3365
Phone: (772) 226-1570; Facsimile: (772) 770-5331

Auditor: Rehmann Robson, LLC
Attn: Christine Horrocks, Principal
5070 N. Highway A1A

Vero Beach, FL 32963
Phone: (772) 234-8484, Facsimile: (772) 234-8488

Notices shall be effective when received at the address as specified above. Email transmission is acceptable notice effective when received, provided, however, that email transmissions received after 5:00 p.m. or on weekends or holidays, will be deemed received on the next day that is not a weekend day or a holiday. The original of the notice must additionally be mailed. Either party may change its address, for the purposes of this section, by written notice to the other party given in accordance with the provisions of this section.

18. SURVIVAL. Except as otherwise expressly provided herein, each obligation in this Agreement to be performed by Auditor shall survive the termination or expiration of this Agreement.

19. INDEMNIFICATION. Auditor agrees to indemnify and hold harmless County, together with its agents, engineers, employees, officers, elected officials and representatives, from liabilities, damages, losses, and costs, including but not limited to, reasonable attorney's fees, to the extent caused by a breach of this Agreement or the negligence, recklessness or intentional wrongful misconduct of the Auditor and persons employed or utilized by the Auditor in the performance of the Services under this Agreement. This indemnification and hold harmless provision shall survive the termination or expiration of this Agreement.

20. CONSTRUCTION. The headings of the sections of this Agreement are for the purpose of convenience only, and shall not be deemed to expand, limit, or modify the provisions contained in such Sections. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the party or parties may require. The parties hereby acknowledge and agree that each was properly represented by counsel and this Agreement was negotiated and drafted at arm's-length so that the judicial rule of construction to the effect that a legal document shall be construed against the draftsman shall be inapplicable to this Agreement.

21. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original copy and all of which shall constitute but one and the same instrument.

22. GENERAL. The Background Recitals are true and correct and form a material part of this Agreement.

IN WITNESS WHEREOF, the County and the Auditor have caused this Agreement to be executed in their respective names as of the date first set forth above.

Auditor:
Rehmann Robson, LLC

INDIAN RIVER COUNTY
Board of County Commissioners

(sign)_____

Printed name:

By _____
Susan Adams, Chairman

Witness:

(sign) _____

Printed name:

Attest: Jeffrey R. Smith, Clerk

By _____
Deputy Clerk

Approved by BCC: _____

Approved:

By _____
Jason E. Brown
County Administrator

Approved as to form and legal sufficiency:

By _____
Dylan Reingold
County Attorney

EXHIBIT A

Description of Indian River County and Records to be Audited

- 1) Indian River County encompasses approximately 497 square miles of land with an estimated population of 154,939. It is located on the east coast of Florida, approximately 135 miles north of Miami and 100 miles east-southeast of Orlando. The City of Vero Beach is the County seat.
- 2) For reporting purposes, the Comprehensive Annual Financial Report will include the Board of County Commissioners (BOCC), the Clerk of the Circuit Court/Comptroller, the Property Appraiser, the Sheriff, the Supervisor of Elections, and the Tax Collector. Also included in the financial statements are two blended component units, the Solid Waste Disposal District and the Emergency Services District.
- 3) Accounting records for the Board of County Commissioners, including the Solid Waste Disposal District and the Emergency Services District, are maintained by the Clerk of the Circuit Court's Finance Department. The Board's records include a general fund, 31 special revenue funds (29 reporting funds, rolled from 49 individual funds), 2 debt service funds, 1 capital projects fund, 4 enterprise funds, 3 internal service funds (3 reporting funds, rolled from 4 individual funds), 1 agency fund, an OPEB Trust fund, a general fixed assets account group, and a general long-term debt account group. The FY 2019 total operating and capital expenditures for the BOCC totaled \$232.9 million. Enterprise funds are used to account for the County's Golf Course, Building Department, Water and Sewer Systems, and the Solid Waste Disposal District.
- 4) Accounting records for the Clerk of the Circuit Court are maintained by the Clerk's staff. The Clerk's records include a general fund, a special revenue fund, 8 agency funds, and a general long-term debt account group. The total FY 2019 budget for the Clerk is approximately \$6.7 million.
- 5) Accounting records for the Property Appraiser are maintained by the Property Appraiser's staff. The Property Appraiser's records include a general fund, and a general long-term debt account group. The total FY 2019 budget for the Property Appraiser is approximately \$3.8 million.
- 6) Accounting records for the Sheriff are maintained by the Sheriff's staff. The Sheriff's records include a general fund, a special revenue fund (1 reporting fund, rolled from 14 individual funds), agency funds, a general fixed assets account group, and a general long-term debt account group. The total FY 2019 budget for the Sheriff is approximately \$50.4 million.
- 7) Accounting records for the Supervisor of Elections are maintained by the Supervisor's staff. The Supervisor's records include a general fund, a special revenue fund, and a general long-term debt account group with a FY 2019 budget of approximately \$1.4 million.

- 8) The Tax Collector's staff maintains accounting records for the Tax Collector. The Tax Collector's records include a general fund, agency funds, and a general long-term debt account group. The total FY 2019 budget for the Tax Collector is approximately \$4.6 million.
- 9) All accounting records are maintained on a GAAP basis.
- 10) Budgets are integrated with the accounting records.

EXHIBIT B

Services Required

- 1) An audit and an opinion on the basic financial statements for the County and for the BOCC and for each Constitutional Officer. .
- 2) The audit is to be done in accordance with the requirements listed in the introduction paragraph of the Request For Proposal for Independent Auditing Services (page 4).
- 3) Review and make recommendations for required note disclosures for the County's Comprehensive Annual Financial Report.
- 4) Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue the following reports for the County and each individual constitutional officer:
 - a. An independent auditors' report.
 - b. A report on internal control over financial reporting and compliance.
 - c. Reports on compliance with specific requirements applicable to federal and state financial assistance programs.
 - d. The auditor shall communicate in a letter to management any reportable conditions found.
 - f. Other reports as required by law or other governing bodies.
- 5) Special Reports for the County:
 - a. Schedule of Activity Landfill Management Escrow Account as prepared in accordance with Rules 62-701.630(5) and 62-701.730(11), Florida Administrative Code.
 - b. Data Collection Form to the Federal Audit Clearinghouse (SF-SAC) as required by OMB Circular A-133.
 - c. Review of Annual Financial Report due to Department of Financial Services.
 - d. Statement of County Funded Court-Related Functions as required by 29.008 Florida Statutes (currently due January 31st).
 - e. Statement of compliance for budget and performance measures as required by 28.35 and 28.36 Florida Statutes.
 - f. Other compliance reports as required by the State or regulatory organizations.
- 6) Assistance in providing guidance and implementing changes in governmental accounting standards.
- 7) If the County issues debt, for which the official statement in connection with the debt contains basic financial statements and the independent auditors' report, the firm shall be required to issue a "consent and citation of expertise" as auditor and any necessary "comfort letters" at no additional cost to the County.

8) Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts to the Clerk of the Circuit Court and the County Administrator.

EXHIBIT C

Consist of 14 pages from the **PROPOSAL FOR INDEPENDENT AUDITING SERVICES.**

Audit approach

ENGAGEMENT SEGMENTATION AND HOURS

	Principal	Manager	Staff	Total
Planning/Risk Assessment	75	50	200	325
Primary Fieldwork and Testing	25	200	500	725
Financial Statement Tie-out and Review	25	80	100	205
Conclusion and Issuance	75	20	130	225
	<u>200</u>	<u>350</u>	<u>930</u>	<u>1,480</u>

SAMPLING TECHNIQUES

We anticipate the use of sampling during our audit of the County. The extent to which we use sampling will depend on the account activity level and our professional judgment. Typically, we use sampling to test accounts with numerous, small balances when it is not practical or cost-efficient to examine 100 percent of the details of the account. There are two general approaches to audit sampling: non-statistical and statistical. Both approaches require that the auditor use professional judgment in planning, performing and evaluation of a sample. The typical sample size will range from 10 - 80 transactions based on the method used.

USE OF AUDITING SOFTWARE

We recognize that in order to provide maximum value to our clients, audit efficiency is of utmost importance. We have developed a proprietary system for reviewing financial statements and workpapers to maximize the benefits of technology. In fact, the technical review principal for your engagement, Stephen Blann, has held various roles within the Firm related to technology services, including Technology Champion, Governmental Accounting and Assurance Group; Member of the Information Technology Steering Committee and Technology Utilization Committee; and firm trainer. He is highly skilled in electronic data extraction and analysis, as well as custom application programming. In addition, Rehmann has established an Enterprise Risk Management ("ERM") division dedicated to internal controls and security in the electronic data processing area.

We use technology every day to improve profitability, efficiency and the level of service provided to our clients. We continuously invest in technology, its implementation and employee training. Our clients benefit from the efficiencies gained in the audit process through the use of this technology.

ANALYTICAL PROCEDURES

Using the current and prior years' trial balances and the final amended budget, we will perform analytical procedures at the financial statement level. In general, we consider an income statement line item to be reasonable and consistent if it is within either 10 percent of the prior year actual or current year budget. Any financial statement line items with fluctuations outside of these parameters will be selected for additional procedures. We will review fluctuations at a greater level of detail (by general ledger account) and have discussions with management to identify and document the reasons for the change.

Based on our preliminary analytical review, certain income statement accounts may be selected for substantive testing because of their significance and/or ease of testing. Common substantive tests over income statement accounts are described in the detailed audit approach in the Appendix.

UNDERSTANDING OF INTERNAL CONTROLS

A questionnaire will be provided that describes various typical control activities by transaction class (i.e., cash, accounts receivable, long-term debt, etc.). We will ask you to answer these questions and provide us with any additional information that may be helpful to us in understanding the internal control structure. Based on the responses to these questions, we will determine the 2-3 “key controls” over each transaction type.

ENGAGEMENT APPROACH

We will complete our work in four inter-related phases: (1) planning and risk assessment, (2) primary fieldwork and testing, (3) financial statement preparation and review, and (4) conclusion and issuance procedures. A brief overview of our audit approach is provided below. **A detailed explanation of the audit process and Rehmann’s approach is provided in the appendix.**

Phase 1: Planning and risk assessment

In accordance with your time schedule, we will hold a planning meeting prior to the start of the engagement involving all associates assigned to the job. We will schedule the dates of our fieldwork, arrange for downloads from your computer systems, document internal controls over financial reporting and compliance, and review the materials you typically provide your auditors. At roughly the same time, we will work closely with you to begin preparing / updating the format and structure of the financial statement tie out in Microsoft Excel.

Once the County is ready and has available a final trial balance, we will complete the planning process. Our engagement executives will analytically review the draft financial statements and document our assessment of audit risk by area. We will use this information to tailor our standard governmental audit programs to correlate with our risk assessment of the County's accounting and financial processing environment.

Phase 2: Primary fieldwork and testing

Working from the trial balance used to complete our planning procedures, we will begin our year-end fieldwork. Our lead schedules and audit workpapers will be created based on the County's financial statements. This allows us to conduct our audit at the same level of detail on which our opinions will be expressed and enhances the efficiency of the entire process. Each audit area will be tested through a combination of analytical, substantive, and sampling procedures, consistent with the tailored audit programs developed in Phase 1.

As the year-end fieldwork procedures are completed, we will review the workpapers, quality control documents, and checklists as part of our internal system of quality control. All comments and issues generated by these reviews will be resolved in the field.

Phase 3: Financial statement tie-out and review

Financial statement review actually begins in Phase 1 and continues throughout Phases 2 and 3. Once the draft County financial statements are tied out to the Excel pivot tables and related notes have been received, they will be processed through our Technical Standards Review (TSR).

Phase 4: Conclusion and issuance procedures

After management has had an opportunity to thoroughly review any audit findings or recommendations, we will perform our conclusion and issuance procedures. These vary, but may include following up on outstanding confirmations, reviewing the minutes of board meetings held subsequent to our fieldwork, and obtaining written representations from management concerning the completeness and fair presentation of the financial statements. Once complete, we will produce final PDF versions of the audit reports and provide them to you via email.

SIGNIFICANT EXECUTIVE INVOLVEMENT = TIMELY COMPLETION AND DELIVERY

At Rehmann, you can expect a substantial presence by the executives responsible for your engagement. We have found that when our most experienced people are investing a significant amount of time in the planning and implementation of an engagement, we are able to achieve optimum efficiency in conducting the audit. We also believe that frequent principal interaction with our clients strengthens our business relationship, gives us a deeper understanding of your needs, and fully leverages the knowledge and experience of our professionals.

Our assurance practice is structured to provide our clients with efficient, effective services. We have one goal: becoming THE Firm of Choice for both our clients and our associates. To accomplish that goal, we employ a regional organizational structure, in-depth associate training, an emphasis on on-site review and completion of audit procedures, and an enhanced client service focus through our Rehmann Client Ambassador program.

Detailed audit approach

Each audit engagement is unique and requires different procedures to meet specific circumstances. However, the following broad approach is followed for most of our audits. While certain steps may occur in different order than presented below, a typical county audit would consist of the following audit procedures:

Phase 1: Planning and risk assessment

Pre-engagement – Certain audit procedures and inquiries are completed prior to the commencement of audit fieldwork. This ensures that we have a complete understanding of the entity, agreement on the extent of procedures to be performed, and an anticipated timeline for completion.

Procedure	Description
Planning meeting	<p>All members of the audit team will meet with the key contacts at the County. All parties will set dates for the milestones of the audit:</p> <ul style="list-style-type: none">• Preliminary fieldwork (if requested)• Availability of trial balance• Primary fieldwork• Interim audit status meetings Exit conference• Final reports <p>By agreeing to these dates up front, we are able to schedule the right people to have availability at the right time. During this meeting, both the County and the auditors will clarify expectations:</p> <ul style="list-style-type: none">• Requested downloads• Client portal• Client-provided workpapers (content, format, timing, etc.)• Communication methods (phone vs. e-mail, etc.) and direction (all requests through the primary contact vs. inquiring directly of the employee responsible)
Engagement letter	<p>The engagement letter will serve as the contract between the auditors and the County and will be sent each year. This letter contains information on the scope of the audit and the related fees. We ask that the County return a signed copy of the letter to us prior to the commencement of primary audit fieldwork.</p>
Discussion with audit committee	<p>Each year before the start of the audit, one of the audit executives assigned to your engagement will conduct a short meeting or phone call with the chair of your audit committee (or its equivalent in your entity). We will discuss timing and the</p>

	planned scope of the audit. Your audit committee chair will be given the opportunity to provide us with any additional information he/she deems relevant and ask any questions about the audit process.
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Phase 2: Primary fieldwork and testing

Planning/Risk Assessment – In order to design our auditing procedures according to your unique operating environment, we will use various methods to gain an understanding of processes and internal controls. We will use the results of these inquiries and tests to assess risks and to further tailor our governmental audit programs. This process is more extensive in the first year as a base understanding is gained by the audit team and may require a specially scheduled visit of 1-2 days. In future years, the process will consist primarily of updating our understanding for any procedural or personnel changes that may have occurred. Our standard planning/risk assessment procedures might include these tests:

Procedure	Description
Document financial systems	We will obtain any existing accounting policies and/or procedures manuals to gain an understanding of the operating environment. If no such materials are available, we have a form of basic questions that will guide you through the process of documenting your actual practices.
Review control activities	<p>A questionnaire will be provided that describes various typical control activities by transaction class (i.e., cash, accounts receivable, long-term debt, etc.). We will ask you to answer these questions and provide us with any additional information that may be helpful to us in understanding the internal control structure.</p> <p>Based on the responses to these questions, we will determine the 2-3 “key controls” over each transaction type.</p>
Walkthroughs	Once we have an understanding of internal controls and have identified the key controls, we will select a small sample of actual transactions and “walk through” each of the key controls to determine if the controls have been implemented and documented appropriately. The typical areas for which walkthroughs are performed are: cash disbursements, cash receipts, payroll, and general journal entries, though other areas may also be tested at this time.
Establish materiality and major funds	Using the trial balance, the audit team will test the appropriateness of major funds. Materiality will then be calculated by opinion unit. Our substantive tests generally require the audit team to test all individually significant items

	and, depending on the remaining untested balance, may require sampling the remaining population.
Review of board minutes	In addition to discussing major activities in the year under audit with management (such as issuance of long-term debt, large capital-related purchases, new programs or services, etc.), we will review minutes from meetings of the Board and any committees. This will allow us to identify significant or unusual events or purchases and revise our planning audit procedures accordingly.
Analytical review	<p>Using the current and prior years' trial balances and the final amended budget, we will perform analytical procedures at the financial statement level. In general, we consider an income statement line item to be reasonable and consistent if it is within either 10 percent of the prior year actual or current year budget. Any financial statement line items with fluctuations outside of these parameters will be selected for additional procedures. We will review fluctuations at a greater level of detail (by general ledger account) and have discussions with management to identify and document the reasons for the change.</p> <p>Based on our preliminary analytical review, certain income statement accounts may be selected for substantive testing because of their significance and/or ease of testing. Common substantive tests over income statement accounts are described later in this appendix.</p>
Risk assessment and brainstorming	At various times through the year, Rehmann's governmental audit group will meet to discuss risks that are common to governments. The audit team will review the notes from these meetings at the beginning of the county's audit to determine which of these risk factors might be applicable. The team will then use the information provided in the previous steps to identify additional risks and design audit procedures to address such risks. Our government-specific audit programs will be tailored to reflect the planned audit procedures.
Consideration of fraud	<p>In accordance with Statement on Auditing Standards No. 99: <i>Consideration of Fraud in a Financial Statement Audit</i>, we will make certain inquiries of personnel in various departments and positions to obtain their views about the risks of fraud and how they are addressed.</p> <p>In addition, each year the audit team will conduct 2-4 procedures that are outside the scope of the typical audit. The use of these unpredictability tests is a requirement of SAS 99.</p>

	These tests are generally relatively simple and address various internal control and compliance issues.
Review of attorney invoices	We will discuss any pending or anticipated litigation with upper management and review invoices for attorney services. If items are identified that may require accrual and/or disclosure in the financial statements, we may request written responses to certain inquiries from your attorneys.

Substantive Audit Procedures – In general, our approach to this audit is “balance sheet oriented.” This means that we will first focus our attention on testing the ending balances of the assets and liabilities of each opinion unit. This approach has two distinct advantages: (1) it places greater emphasis on identifying potential misstatements in accounts that could have a carry-over effect on later periods (unlike income statement accounts that reset each year), and (2) it can reduce risk of material misstatement over the aggregate income statement accounts to a level where a primarily analytical approach can be applied with an acceptable detection risk for potential misstatements. This results in a very efficient audit process and allows us to provide a high level of assurance in fewer hours. Of course, certain income statement accounts may still be tested substantively because of their ease of testing and/or significance.

Our auditors’ approach of substantive balance sheet testing at the financial statement level (following our opinion) and not by individual trial balance accounts. Leadsheets are generated directly from the trial balance using grouping codes, and accounts are divided and subtotaled by opinion unit in order to easily determine whether appropriate testing has been completed. Each leadsheet contains both current and prior year balances to allow the auditors to quickly identify trends and expectations and document any significant fluctuations. Balance sheet accounts that have remained unchanged will be brought to the attention of management for inquiry and follow up.

Initially, all individually significant or unusual items are selected for testing and the percent of coverage by opinion unit is calculated and evaluated for adequacy to support our opinion. If, based on our risk assessment, we consider it necessary to obtain additional audit coverage, the remaining untested balance is stratified and sampled following professional standards. With each test performed, the auditors include sufficient documentation to both comply with professional standards and to allow the audit executives to understand the procedures performed and related conclusions reached during their review process.

Our entire audit process is facilitated electronically, using a paperless system. Accordingly, to the extent possible, we request that supporting schedules and documentation be provided to us in their native electronic format. The audit team will generally not require paper photocopies of supporting documents (unless the county is more comfortable providing photocopies). After testing is completed and any important items have been scanned into the file, the originals will be returned intact.

While not all inclusive, the following listing summarizes many of the standard substantive audit procedures that may be performed, along with the requested documentation:

Audit Area	Substantive Test
Cash and investments	<ul style="list-style-type: none"> • Send bank confirmation forms (completed by management) to respective financial institutions, compare confirmed balances to bank statements, and investigate discrepancies. • Consider allowability of investments in accordance with State statute and the County's investment policy. • Agree book balances to a trial balance account (or group of accounts for pooled cash systems). • Test bank reconciliations by tracing deposits in transit and outstanding checks to the subsequent period statement. Trace inter-bank transfers in transit between account reconciliations. Identify outdated or unusual reconciling items. • Consider the appropriateness of accrued interest on certificates of deposit and investments. • Calculate Federal Depository Insurance Coverage (FDIC). • Prepare financial statement disclosures such as those concerning interest rate risk, credit risk, and concentration of credit risk.
Receivables	<ul style="list-style-type: none"> • Obtain subledgers for significant account balances. Select items for detail testing and obtain subsequent receipt noting whether the amount was earned prior to year-end and received in the next period. • Consider whether any receivables in governmental funds are collected outside of the period of availability (as it is defined by the County) and should be deferred in the fund financial statements. • Trace grant receivables to financial status reports, subsequent receipts, and/or determine whether the recorded receivable is equal to grant expenditures, less actual cash receipts. • Trace utility receivable balances to detail customer reports. Through the use of statistical sampling, test select customer balances for proper recording.
Inventory	<ul style="list-style-type: none"> • Compare detailed listings of items, individual cost, and extended cost to the general ledger control accounts. • Inquire about obsolete inventory.
Prepays	<ul style="list-style-type: none"> • Determine the nature of prepaid items in each general ledger account. • Recalculate prepaid balance using invoices and check vouchers and determine whether the amount was paid prior to year-end.

Capital assets	<ul style="list-style-type: none"> • Obtain rollforwards of capital asset activity. Agree beginning balances to prior year audited amounts and ending balances to general ledger control accounts. • Obtain a detailed listing of additions and agree to the rollforward. Test individually significant items by tracing to approved invoices. • Compare capital outlay expenditures to capital asset additions for reasonableness. If considered necessary, perform a search for unrecorded capital assets to audit completeness. • Agree approved capital items from board minutes to additions listing. • Obtain a detailed listing of disposals and agree to the rollforward. Determine whether any proceeds on the sale of such assets has been reported appropriately in the financial statements. • Obtain depreciation schedules and test the accuracy of calculation based on the selected depreciation method and useful life. • Test the accounting for and disclosure of amounts acquired through capital leases or installment purchase agreements. • Test the allocation of depreciation expense by function. • Inquire about timing of physical inventory observations, the existence of idle assets, and whether remaining useful lives are still appropriate. • Inquire about the existence of intangible assets such as usage or access rights. • Consider whether amounts remain on construction contracts related to construction in progress for disclosure in the notes to the financial statements.
Payables	<ul style="list-style-type: none"> • Obtain a detailed listing of the composition of general ledger control accounts and compare to year-end account balances. • Perform a completeness test by selecting certain subsequent disbursements, reviewing the invoice for information on the accounting period involved, and determining whether the amount is properly included or excluded from year-end accounts payable. • Trace fiduciary liabilities to subsequent disbursements or detailed subledgers of amounts held by individual/entity. • Determine whether any amounts are being held in agency funds that represent funds of the primary government which should be accounted for in the respective funds.
Accrued liabilities	<ul style="list-style-type: none"> • Recalculate accrued salaries and wages payable by gaining an understanding of the timing of service periods and pay dates, obtaining support for the first pay date in the subsequent period, determining the number of service days covered by

	<p>the pay run and the number of service days during the period under audit, recalculating the accrual.</p> <ul style="list-style-type: none"> • Recalculate the accrual for the employer's share of FICA taxes payable based on known rate of 7.65%. • Consider the reasonableness of other fringe benefit accruals such as health insurance, retirement, and workers' compensation. • For self-insurance programs, obtain calculations or third-party reports estimating incurred-but-not-reported claims. Rollforward self-insurance claims payable for disclosure in the footnotes.
Long-term debt	<ul style="list-style-type: none"> • Obtain a rollforward of long-term debt activity. Compare the beginning balances to the prior year audit. • Obtain amortization schedules for bonds and notes payable. Consider whether any debt covenants exist and test accordingly. • Trace principal payments to the debt rollforward and the amortization schedules. • Agree the current portion of long-term debt and future minimum payments of principal and interest to the amortization schedules. • Determine whether new debt was approved by the governing body and issued in accordance with State statute. • Determine whether there were premiums and/or discounts associated with the issuance of the debt by obtaining the sources and uses statement. Consider whether any bond issuance costs should be capitalized and amortized over the life of the bonds. Recalculate such balances. • Recalculate accrued interest payable based on the first interest payable of the subsequent period, the length of time covered by this interest payment, and the length of time within the year under audit.
Compensated absences	<ul style="list-style-type: none"> • Obtain a detailed listing of compensated absences (accrued sick and vacation time) by employee and agree to general ledger control accounts. • Obtain an understanding of compensated absences policies, such as vesting, payment rates, and maximum payouts. • Select a sample of individuals for testing. Trace accrued hours to source files and pay rates to personnel files or union/bargaining unit contracts. Recalculate accrual and determine whether hours are within the maximum amount. • Determine whether FICA taxes are being accrued on the year-end balance. • Rollforward compensated absences liability by obtaining either the accrual for amounts earned or the amounts

	<p>used/paid for disclosure in the notes to the financial statements.</p> <ul style="list-style-type: none"> • Consider the appropriateness of the expense allocation for the change in compensated absences of governmental activities. • Inquire about an estimated current portion and consider whether this is being presented appropriately in the financial statements. Compare current portion to actual uses/payments for reasonableness. • Inquire about the existence of any severance agreements or termination benefits. Obtain supporting documentation and test accordingly.
Equity	<ul style="list-style-type: none"> • Compare beginning equity by fund to the prior year audit and investigate any differences. • Review fund balance classifications based on the nature of the funds and board resolutions/policies (if applicable). • Review net asset classifications for accuracy. Recalculate net assets invested in capital assets net of related debt.

These substantive procedures will be completed primarily by our staff auditors. Each workpaper will be reviewed by the engagement manager (and where appropriate, the engagement principal) during fieldwork so questions can be timely resolved .

Phase 3: Financial statement tie out and review

Financial Statement Tie-out - Another key element of the fieldwork process is the tie-out of draft financial statements (including footnotes), the management letter, and other applicable reports/correspondence. The following are the primary steps in the preparation of the financial statement tie-out:

Procedure	Description
Downloads	<ul style="list-style-type: none"> • Obtain a download directly from the client's financial accounting system which includes: complete account number, account name, and account balance. For income statement accounts, the original and amended budgets will be downloaded as well. • Assign fund and government-wide financial statement captions to each account based on the level of detail in the financial statements. This effectively maps each account on the County's chart of accounts to the appropriate sections of the financial statements.
Linking	<ul style="list-style-type: none"> • Use Excel PivotTables to summarize the data in the trial balance based on the assigned captions. Match the captions to the prepared financial statements.

	<ul style="list-style-type: none"> • The advantage of this system is that any account coding changes or journal entries discovered through the audit process can be posted to the auditors' version of the trial balance.
Footnotes	<ul style="list-style-type: none"> • Review notes to financial statements using a current disclosure checklist to ensure completeness. • Obtain supporting documentation for disclosures not directly linked to the trial balance or financial statements, such as: retirement and other postemployment benefit plan funding progress and funded status, related party transactions, subsequent events, etc.
SAS 114 letter	<ul style="list-style-type: none"> • Through the audit process, the engagement team will keep a list of potential audit issues and/or internal control or efficiency recommendations. • Near completion of fieldwork, the potential items are reviewed and discussed amongst the audit team. • The method of communication for items deemed to be control and/or compliance deficiencies is determined and a SAS 114 letter (informally known as the "management letter") is drafted.
Other reports	<ul style="list-style-type: none"> • If the County is subject to a single audit in accordance with the Uniform Guidance (by expending at least \$750,000 in Federal awards in any given fiscal year), the reports on Single Audit Act compliance will be prepared.
Detail check	<ul style="list-style-type: none"> • After the financial statements and notes are received a disclosure checklist is completed, and the entire report is reviewed by another individual. Controls totals are compared between statements and schedules, numbers are footed and cross-footed, footnotes are agreed to the underlying financial statement amounts (when applicable), and overall presentation is reviewed for proper formatting, spelling, and grammar. • The audit opinion (and Yellow Book report and/or single audit report, as applicable) are compared to current professional standards for completeness and accuracy. • Any management letter comments are reviewed for clarity and appropriateness. • Management is then provided feedback from the independent review.
Technical standards review	<ul style="list-style-type: none"> • Additional technical standards reviews are conducted after fieldwork by a principal not associated with the engagement (i.e., a "cold review" of the statements).

Exit conference	<ul style="list-style-type: none"> • Audit findings or recommendations are explained in detail, and an open dialog is held to ensure that the facts and circumstances are properly understood by all parties. • Any open items are summarized in written format and reviewed with the client. • The timeline for engagement completion and issuance (initially agreed-upon as part of the planning meeting) is reviewed for reasonableness and updated as needed.
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Any questions or issues that arise through the technical standards review are discussed between the audit team and management. If changes have been made to the initial drafts, management is provided with a final draft for its review and approval. We then provide management with a draft representation letter. This is a document that puts into writing the assertions made by management to the auditors throughout the audit process. We ask that this letter be printed on the County's letterhead and signed by two individuals (generally the equivalents of the CEO and CFO). We consider the signed representation letter to be management's assertion that drafts have been reviewed and our authorization for processing of final reports.

Phase 4: Conclusion and issuance procedures

Management will be provided with a final PDF of all reports produced in the audit. The County is free to add this document to the CAFR for distribution to grantor agencies and related parties, upload to the County's website, or to produce additional printed copies.

While this concludes the formal process of the annual audit, your engagement team will be available for questions throughout the year. We will provide management with information on relevant upcoming changes in accounting standards and opportunities to participate in training events or webinars. We will also check in at times throughout the year to say hello and provide an opportunity for management to ask any questions or provide updates on the County's operations.

We are confident that our audit process maximizes efficiency while still providing the highest level of audit assurance. Our County auditing team has a deep understanding of accounting and financial reporting as it relates to local units of government. Our auditors also understand that you are busy and have priorities and responsibilities in addition to the annual audit. With this in mind, your audit team will make as many requests ahead of time as possible, coordinate information requests and questions, and strive to keep the audit process as quick as possible.

Qualifications of audit staff

Your audits will be managed by governmental auditors. The benefit to the County is that your people will not waste their valuable time teaching auditors about governmental accounting and reporting, or the nuances of County operations. Instead, with Rehmann, your engagements will be staffed with a team of governmental professionals who can work with you as peers, sharing knowledge and best practices, and meeting your completion deadline. Another continuing benefit will be ready access to these professionals to answer questions, discuss options and receive timely technical assistance.

REHMANN CLIENT SERVICE PHILOSOPHY

One Team. One Focus. Your Success – Your Rehmann team will have the optimal combination of skills and experience to support your success. Your engagement principal, **Christine Horrocks, CPA/CFF, CGMA, CFE**, will:

- Be integrally involved in planning and overseeing your audits.
- Ensure we are meeting and exceeding your needs by delivering *governmental business wisdom*.
- Provide access to additional resources available within our firm and through our industry networks.
- Be responsible for overseeing the engagement and supervising staff

The Rehmann client service delivery model ensures you will have *direct access* to all members of your Rehmann team. **P. Ross Cotherman, II, CPA**, will serve as the County's Client Ambassador. In this role, Ross will conduct client satisfaction assessments and communicate client-defined service improvements and new service standards back to the Rehmann team. Ross will maintain an objective role to ensure we are doing all that we can to exceed your expectations.

In addition, a secondary principal, **Stephen W. Blann, CPA, CGFM, CGMA**, who is a governmental audit principal, will serve as technical standards support. Stephen will also be available as a backup for Christine.

Peter J. Woldman, CPA, CGFM, will be responsible for conducting the procedures related to the Federal Single Audit, Florida Single Audit, and other compliance testing. **William G. Love, CPA, CGFM**, will provide remote technical support to the audit team and perform the initial technical review of the CAFR. While both associates are Managers, they will not be performing managerial or supervisory functions and will be operating under the direction of the engagement principal.

Both **Alejandro Gamez** and **Jill Liddell, CPA**, two of our staff auditors, will perform many of the audit procedures, as directed by the engagement executive.

Biographical resumes of these associates are included on the following pages.

INDEPENDENCE AND LICENSE TO PRACTICE

Rehmann and each certified public accountant performing managerial and supervisory functions on the engagement are independent and properly licensed to practice public accounting in the State of Florida.