RESOLUTION NO. 12-07-56

A RESOLUTION OF THE VILLAGE COUNCIL OF ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA; APPROVING THE RENEWAL OF THE PROFESSIONAL AUDITING SERVICES ENGAGEMENT WITH CHERRY BEKAERT & HOLLAND LLP FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2012; AUTHORIZING THE VILLAGE MANAGER TO EXECUTE THE RENEWAL ENGAGEMENT; AUTHORIZING THE EXPENDITURE OF BUDGETED FUNDS; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Section 218.391(2), Florida Statutes, establishes the procedures for the selection of an auditor to conduct the Village’s annual financial audit required by Chapter 218, Florida Statutes; and

WHEREAS, in 2009 the Village established an Auditor Selection Committee (the “Committee”) pursuant to Section 218.391, Florida Statutes, under Resolution 09-05-33; and

WHEREAS, the Committee established factors to use for the evaluation of audit services, publicly announced requests for proposals, provided interested firms with said request for proposals and evaluated the proposals provided by qualified firms in accordance with the requirements of Section 218.391(3)(a) through (d); and

WHEREAS, the Committee ranked and recommended no fewer than three firms deemed to be the most highly qualified to perform the required services, after considering the factors established pursuant to Section 218.391(3)(a); and

WHEREAS, the Village Council affirmed the Committee’s ranking and recommendations under Resolution 09-09-87, and authorized the Village Manager as the Village Council’s designee to negotiate an engagement agreement for professional auditing
services for Council approval with the highest ranked firm, Cherry, Bekaert & Holland, LLP:
and

WHEREAS, the Village Council approved the Professional Auditing Services Engagement with Cherry, Bekaert & Holland, LLP (the “Engagement”) under Resolution 09-10-101 for the audit of the Fiscal Year ending September 30, 2009; and

WHEREAS, Section 13.2 of the Supplemental Standards to the Engagement provides for the renewal of the Engagement for three additional one year terms, subject to Village Council approval; and

WHEREAS, the Village Council approved the renewal of the Engagement for professional auditing services for the Fiscal Year ending September 30, 2010 under Resolution No. 10-08-05; and

WHEREAS, the Village Council approved the renewal of the Engagement for professional auditing services for the fiscal year ending September 30, 2011 under Resolution No. 11-08-63; and

WHEREAS, the engagement letter for renewal of the professional auditing services Engagement for the fiscal year ending September 30, 2012 is attached hereto as Exhibit “A”; and

WHEREAS, the Village Council finds that renewal of the Engagement in the form attached hereto as Exhibit “A” is in the best interests of the Village.

NOW THEREFORE, BE IT RESOLVED BY THE VILLAGE COUNCIL OF ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA, AS FOLLOWS:
Section 1. Recitals. The above recitals are true and correct and are incorporated herein by this reference.

Section 2. Approval of Renewal of Professional Auditing Services Engagement. The renewal Engagement between Cherry Bekaert & Holland, LLP and the Village to provide professional auditing services for the Fiscal Year ending September 30, 2012, a copy of which is attached hereto as Exhibit “A”, together with such non-material changes as may be acceptable to the Village Manager and approved as to form and legality by the Village Attorney, is approved.

Section 3. Authorization to Execute Renewal of Professional Auditing Services Engagement. The Village Manager is authorized to execute the renewal Engagement on behalf of the Village and to execute any required agreements and/or documents to implement the terms and conditions of the renewal Engagement subject to the approval as to form and legality by the Village Attorney.

Section 4. Authorization of Fund Expenditure. Notwithstanding the limitations imposed upon the Village Manager pursuant to the Village’s Purchasing Procedures Ordinance, the Village Manager is authorized to expend budgeted funds to implement the terms and conditions of the Engagement.

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

PASSED AND ADOPTED this 26th day of July, 2012.
Motion to adopt by Vice Mayor Philipson, Seconded by Councilman Achenberg.

FINAL VOTE AT ADOPTION

Mayor Michael Reckwerdt  Yes
Vice Mayor Ken Philipson  Yes
Councilman Don Achenberg  Yes
Councilman Ted Blackburn  Yes
Councilman Dave Purdo  Yes

[Signature]
KEN PHILIPSON, VICE MAYOR

ATTEST:

[Signature]
DEBRA E. EASTMAN, MMC
VILLAGE CLERK

APPROVED AS TO FORM AND LEGALITY
FOR THE USE AND BENEFIT OF ISLAMORADA,
VILLAGE OF ISLANDS, ONLY:

[Signature]
VILLAGE ATTORNEY
July 12, 2012

The Honorable Mayor and Members of Village Council
Islamorada, Village of Islands
81990 Overseas Highway
Islamorada, FL 33036

This engagement letter, including Attachment A, between Islamorada, Village of Islands (hereafter referred to as the “Village”) and Cherry, Bekaert & Holland, L.L.P. (the "Firm" or “CBH”) sets forth the nature and scope of the services we will provide, the Village’s required involvement and assistance in support of our services, the related fee arrangements and other Terms and Conditions, which are attached hereto and incorporated by this reference, designed to facilitate the performance of our professional services and to achieve the mutually agreed upon objectives of the Village.

SUMMARY OF SERVICES
We will provide the following services to the Village as of and for the year ended September 30, 2012:

Audit services
We will audit the basic financial statements of the Village as of and for the year ended September 30, 2012 including the governmental activities, the business type activities, each major fund and the remaining fund information.

Accounting standards generally accepted in the United States provide for certain required supplementary information ("RSI"), such as management’s discussion and analysis (MD&A), to accompany the Village’s basic financial statements. As part of our engagement, we will apply certain limited procedures to the Village’s RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter.

Supplementary information, other than RSI, including the schedule of expenditures of federal and state awards, also accompanies the Village’s basic financial statements. We will subject such supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements.

Additional information, such as the letter of transmittal and statistical section, will not be subjected to the auditing procedures applied in our audit of the financial statements, and, accordingly, our auditors' report will disclaim an opinion on such information.

Accounting and other services
1. Assist in the preparation of the financial statements and footnotes.
2. Complete the appropriate sections of and sign the Data Collection Form.

YOUR EXPECTATIONS

As part of our planning process, we will discuss with you your expectations of CBH, changes that occurred during the year, your views on risks facing you, any relationship issues with CBH, and specific engagement arrangements and timing. Our services plan, which includes our audit plan, is designed to provide a foundation for an effective, efficient, and quality-focused approach to accomplish the engagement objectives and meet or exceed your expectations. Our service plan will be reviewed with you periodically and will serve as a benchmark against which you will be able to measure our performance. Any additional services that you may request, and that we agree to provide, will be the subject of separate written arrangements.

The engagement will be led by James Burdick, who will be responsible for assuring the overall quality, value, and timeliness of the services provided to you.

AUDIT SERVICES

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

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

- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations and the Florida Single Audit Act, if applicable.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies, federal awarding agencies, and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133; the Single Audit Act Amendments of 1996; and if applicable, the Florida Single Audit Act, and Chapter 10.550, rules of the Auditor General of the State of Florida, and will include test of accounting records, a determination of major programs in accordance with Circular A-133 and the Florida State Single Audit Act, and other procedures as deemed necessary to enable us to express such an opinion and to render the required reports. If any of our opinions resulting from the procedures described above are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or
are unable to form or have not formed opinions, we may decline to express opinions or issue a report as a result of this engagement.

ACCOUNTING AND OTHER SERVICES

Accounting services
We will advise Management about the application of appropriate accounting principles, and may propose adjusting journal entries to the Village’s financial statements. Management is responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the Village’s financial statements. If, while reviewing the journal entries, Management determines that a journal entry is inappropriate, it will be Management’s responsibility to contact us to correct it.

Financial statement preparation
We will assist in the preparation of the Village’s financial statements and notes, based on information in the Village’s accounting records. However, the responsibility for the Village’s financial statements and notes remains with Management. This responsibility includes establishing and maintaining adequate records and effective internal controls over financial reporting, the selection and application of accounting principles, the safeguarding of assets, and adjusting the financial statements for any material misstatements as well as reviewing and approving for publication the draft financial statements prepared with our assistance.

Data Collection Form
We will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide copies of our reports to the Village; however, it is management’s responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors’ reports, and corrective action plan) along with the Data Collection Form to the designated federal audit clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors’ reports or nine months after the end of the audit period.

Management’s responsibilities related to accounting and other services
For all nonattest services we perform in connection with the engagement, you are responsible for designating a competent employee to oversee the services, make any management decisions, perform any management functions related to the services, evaluate the adequacy of the services, and accept overall responsibility for the results of the services.

Prior to the release of the report, Management will need to sign a representation letter acknowledging your responsibility for the results of these services.

FEES
The estimated fee contemplates only the services described in the Summary of Services section of this letter. If Management requests additional services not listed above, we will provide an estimate of those fees prior to commencing additional work.
The following summarizes the fees for the services described above:

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<tr>
<th>Description of Services</th>
<th>Estimated Fee</th>
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<tr>
<td>Audit services</td>
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<tr>
<td>Audit of the financial statements</td>
<td>$ 42,500</td>
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<tr>
<td>Federal Single Audit</td>
<td>2,500</td>
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<tr>
<td>State Single Audit</td>
<td>2,500</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$ 47,500</strong></td>
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The fees will be billed periodically. Invoices are due on presentation. A service charge will be added to past due accounts equal to 1-1/2% per month (18% annually) on the previous month's balance less payments received during the month, with a minimum charge of $2.00 per month.

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us. If you have any questions, please call James Burdick at (407) 423-7911.

Sincerely,

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekaert & Holland, L.L.P.

ATTACHMENT – Engagement Letter Terms and Conditions

Islamorada, Village of Islands

ACCEPTED BY: [Signature]

TITLE: Village Manager    DATE: 7-14-12
Cherry, Bekaert & Holland, LLP

Engagement Letter Terms and Conditions

The following terms and conditions are an integral part of the attached engagement letter and should be read in their entirety in conjunction with your review of the letter.

Limitations of the audit report
Should the Village wish to include or incorporate by reference these financial statements and our report thereon into any other document at some future date, we will consider granting permission to include our report into another such document at the time of the request. However, we may be required by generally accepted auditing standards ("GAAS") to perform certain procedures before we can give our permission to include our report in another document such as an annual report, private placement, regulator filing, official statement, offering of debt securities, etc. You agree that you will not include or incorporate by reference these financial statements and our report thereon, or our report into any other document without our prior written permission. In addition, to avoid unnecessary delay or misunderstandings, it is important to provide us with timely notice of your intention to issue any such document.

Limitations of the audit process
In conducting the audit, we will perform tests of the accounting records and such other procedures as we consider necessary in the circumstances to provide a reasonable basis for our opinion on the financial statements. We also will assess the accounting principles used and significant estimates made by Management, as well as evaluate the overall financial statement presentation.

Our audit will include procedures designed to obtain reasonable assurance of detecting misstatements due to errors or fraud that are material to the financial statements. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. For example, audits performed in accordance with GAAS are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that material misstatements due to errors or fraud, if they exist, may not be detected. Also, an audit is not designed to detect matters that are immaterial to the financial statements. In addition, an audit conducted in accordance with GAAS does not include procedures specifically designed to detect illegal acts having an indirect effect (e.g., violations of fraud and abuse statutes that result in fines or penalties being imposed on the Village) on the financial statements. Further, our internal control audit is not designed to disclose deficiencies in internal control over financial reporting that, individually or in combination, are less severe than a material weakness. Projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Similarly, in performing our audit we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our audit provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. We will inform you with respect to errors and fraud, or illegal acts that come to our attention during the course of our audit unless clearly inconsequential. In the event that we have to consult with the Village's counsel or counsel of our choosing regarding any illegal acts we identify, additional fees incurred may be billed to the Village. You agree to cooperate fully with any procedures we deem necessary to perform with respect to these matters.
If, for any reason, we are unable to complete the audit, or are unable to form, or have not formed an opinion on the financial statements, we may decline to express an opinion or decline to issue a report as a result of the engagement. We will notify the appropriate party within your organization of our decision and discuss the reasons supporting our position.

Management’s responsibilities related to the audit
Management is responsible for the fair presentation of the financial statements in conformity with GAAP or such other basis of accounting consistently applied as described above, for making all financial records and related information available to us, for ensuring that all material information is disclosed to us, and for identifying and ensuring that the Village complies with the laws and regulations applicable to its activities and with the provisions of contracts and grant agreements. Management is also responsible for the basic financial statements and all accompanying information as well as representations contained therein. Management is also responsible for the preparation of the schedule of expenditures of federal and State awards in accordance with the requirements of OMB Circular A-133; and the Florida Single Audit Act.

Management is responsible for the preparation of the supplementary information in conformity with GAAP. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management is also responsible for adjusting the financial statements to correct material misstatements, informing us of events that occurred subsequent to the balance sheet date until the date of the auditors’ report that might affect the financial statements or related disclosures and informing us of any discovery of facts related to items that existed at the financial statement date that might affect the financial statements or related disclosures.

Management is responsible for informing us of its views regarding the risk of fraud at the Village. Management must inform us of their knowledge of any allegations of fraud or suspected fraud affecting the Village received in communications from employees, former employees, regulators, or others and for informing us about all known or suspected fraud affecting the Village involving (a) Management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements.

Management is responsible for the design and implementation of programs and controls over financial reporting and to prevent and detect fraud. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors and fraud or illegal acts. As a part of our audit, we will consider the Village’s internal control structure, as required by GAAS, sufficient to plan the audit and to determine the nature, timing, and extent of auditing procedures necessary for expressing our opinion concerning the financial statements. An audit is not designed to provide any assurance on internal controls. As part of our consideration of the Village’s internal control structure, we will inform you of matters that come to our attention that represent significant deficiencies or material weaknesses in the design or operation of the internal control structure.

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

At the conclusion of the engagement, Management will provide to us a representation letter that, among other things, addresses (1) Management's responsibilities related to the audit and confirms certain representations made to us during the audit, including, Management's acknowledgement of its responsibility for the design and implementation of programs and controls to prevent and detect fraud; (2) Management's responsibilities related to the monitoring of internal control over financial reporting; and (3) Management's knowledge, directly or from allegations by others, of fraud or suspected fraud affecting the Village. The representation letter will also affirm to us that Management believes that the effects of any uncorrected misstatements, if any, pertaining to the financial statements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The Firm will rely on Management providing these representations to us, both in the planning and performance of the audit, and in considering the fees that we will charge to perform the audit.

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 professional judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Village or to acts by management or employees acting on behalf of the Village. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

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 or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and fraud, or illegal acts that come to our attention during the course of our audit. We will also inform you of any violations of laws or governmental regulations 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 any later periods for which we are not engaged as auditors.

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

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

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

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, and Government Auditing Standards, OMB Circular A-133 and the Florida Single Audit Act.

AUDIT PROCEDURES - COMPLIANCE

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the Village'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.

OMB Circular A-133 and the Florida Single Audit Act require that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreement applicable to major programs. Our procedures will consist of the applicable procedures described in the OMB Circular A-133 and the Florida Single Audit Act Compliance Supplement for the types of compliance requirements that could have a direct and material effect of each of the Village's major programs. The purpose of those procedures will be to express an opinion on the Village's compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133 and the Florida Single Audit Act.

Communications

At the conclusion of the audit engagement, we may provide Management and those charged with governance a letter stating any significant deficiencies or material weaknesses which may have been identified by us during the audit and our recommendations designed to help the Village make improvements in its internal control structure and operations related to the
identified matters discovered in the financial statement audit. As part of this engagement we will ensure that certain additional matters are communicated to the appropriate members of the Village. Such matters include (1) our responsibility under GAAS; (2) the initial selection of and changes in significant accounting policies and their application; (3) our independence with respect to the Village; (4) the process used by Management in formulating particularly sensitive accounting estimates and the basis for our conclusion regarding the reasonableness of those estimates; (5) audit adjustments, if any, that could, in our judgment, either individually or in the aggregate be significant to the financial statements or our report; (6) any disagreements with Management concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements; (7) our views about matters that were the subject of Management’s consultation with other accountants about auditing and accounting matters; (8) major issues that were discussed with Management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; and (9) serious difficulties that we encountered in dealing with Management related to the performance of the audit.

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

OTHER MATTERS

Access to working papers
The working papers and related documentation for the engagement are the property of the Firm and constitute confidential information. We have a responsibility to retain the documentation for a period of time to satisfy legal or regulatory requirements for records retention. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties.

We may be requested to make certain documentation available to regulators, governmental agencies (e.g., SEC, PCAOB, HUD, DOL, etc.) or their representatives (“Regulators”) pursuant to law or regulations. If requested, access to the documentation will be provided to the Regulators. The Regulators may intend to distribute to others, including other governmental agencies, our working papers and related documentation without our knowledge or express permission. You hereby acknowledge and authorize us to allow Regulators access to and copies of documentation as requested. In addition, our Firm, as well as all other major accounting firms, participates in a “peer review” program covering our audit and accounting practices as required by the American Institute of Certified Public Accountants. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

Electronic transmittals
During the course of our engagement, we may need to electronically transmit confidential information to each other, within the Firm, and to other entities engaged by either party. Although email is an efficient way to communicate, it is not always a secure means of communication and thus, confidentiality may be compromised. You agree to the use of email and other electronic methods to transmit and receive information, including confidential
information between the Firm, the Village and other third party providers utilized by either party in connection with the engagement.

**Subpoenas**
In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request at standard billing rates.

**Dispute resolution procedures**
If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation would be conducted by a mediator appointed by and pursuant to the rules of the American Arbitration Association (AAA) or such other neutral facilitator acceptable to both parties. Both parties would exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute, controversy, or claim.

Cherry, Bekaert and Holland, L.L.P. and the Village both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the AAA. Any award rendered by the Arbitrator pursuant to this Agreement may be filed and entered and shall be enforceable in the court of competent jurisdiction in Monroe County, Florida. *In agreeing to arbitration, we both acknowledge that, in event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.*

**TERMS AND CONDITIONS SUPPORTING FEE**
The estimated fees set forth above are based on anticipated full cooperation from your personnel, timely delivery of requested audit schedules and supporting information, timely communication of all significant accounting and financial reporting matters, the assumption that unexpected circumstances will not be encountered during the audit, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. We strive to ensure that we have the right professionals scheduled on each engagement. As a result, sudden Village requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees. Our estimated fee does not include assistance in bookkeeping or other accounting services not previously described. If for any reason the Village is unable to provide such schedules, information and assistance, the Firm and the Village will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

The estimated fees contemplate that the Village will provide adequate documentation of its systems and controls related to significant transaction cycles and audit areas.

In providing our services, we will consult with the Village with respect to matters of accounting, financial reporting or other significant business issues as permitted by professional standards.
Accordingly, time necessary to effect a reasonable amount of such consultation is reflected in our fee. However, should a matter require research, consultation or audit work beyond that amount, the Firm and the Village will agree to an appropriate revision in our fee.

The estimated fees set forth in this letter are based on auditing and accounting standards effective as of the date of this engagement letter and known to apply to the Village at this time, but do not include any time related to the application of new auditing or accounting standards that impact the Village for the first time. If new auditing or accounting standards are issued subsequent to the date of this letter and are effective for the period under audit, we will estimate the impact of any such standard on the nature, timing and extent of our planned audit procedures and will communicate with you concerning the scope of the additional procedures and the estimated fees.

The Village agrees to pay all costs of collection (including reasonable attorneys' fees) that the Firm may incur in connection with the collection of unpaid invoices. In the event of nonpayment of any invoice rendered by us, we retain the right to (a) suspend the performance of our services, (b) change the payment conditions under this engagement letter, or (c) terminate our services. If we elect to suspend our services, such services will not be resumed until your account is paid. If we elect to terminate our services for nonpayment, the Village will be obligated to compensate us for all time expended and reimburse us for all expenses through the date of termination.

This engagement letter sets forth the entire understanding between the Village and the Firm regarding the services described herein and supersedes any previous proposals, correspondence, and understandings whether written or oral. Any subsequent changes to the terms of this letter, other than additional billings, will be rendered in writing and shall be executed by both parties. Should any portion of this engagement letter be ruled invalid, it is agreed that such invalidity will not affect any of the remaining portions.
Audit Engagement Letter – Attachment A ("Supplemental Standards")

1. **Insurance Requirements**

1.1 The Auditor shall maintain at its sole cost and expense at all times; professional liability insurance, comprehensive general liability insurance and automotive liability insurance with minimum policy limits for each coverage in the amount of One Million Dollars ($1,000,000.00) per occurrence, single limit for property damage and bodily injury, including death.

1.2 The Auditor shall also maintain worker’s compensation insurance at the statutory minimums required by Chapter 440, Florida Statutes.

1.3 The Auditor shall provide a certificate of insurance complying with the requirements specified above and the Village shall be named as an additional insured on each of the above policies, unless prohibited by law or insurance company standard practices.

2. **Additional Consulting Services**

2.1 In addition to the regular audit requirements, the Village may request that the Auditor provide consulting services for audit related matters outside the scope of the annual audit. The Auditor and the Village will separately negotiate a fee for each instance that consulting services are requested.


3.1 All original records, books, documents, papers and financial information that the Village provides the Auditor as part of this Engagement shall remain the property of the Village.

3.2 All working papers and reports must be retained, at Cherry, Bekaert & Holland, L.L.P.’s (“Auditor’s”) expense, for a minimum of five (5) years from the report delivery date, unless the firm is notified in writing by the Village of the need to extend the retention period for regulatory or legal purposes. Auditors will be required to make working papers available upon reasonable request by the Village Manager or Finance Director.

3.3 The Auditor shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance in accordance with the Professional Standards of the American Institute of Certified Public Accountants (the “AICPA”) at the successor auditor’s expense.
3.4 In the performance of the services specified in this Engagement, the Auditor shall comply with the Florida Public Records Act, Chapter 119, Florida Statutes, as applicable. The Village may terminate this Engagement for refusal by Auditor to allow reasonable access by the Village Manager to any records pertaining to services performed under this Engagement that are subject to the provisions of Chapter 119, Florida Statutes.

3.5 Notwithstanding the retention period specified in Section 4.2, the Auditor shall maintain all books, documents, papers and financial information pertaining to work performed under this Engagement for the time periods specified in the State of Florida Record Retention laws.

4. Indemnification

4.1 Neither the Village’s review of, approval of, acceptance of, nor payment for any services required under this agreement shall be construed to operate as a waiver of any rights under this agreement or any cause of action arising out of the performance of this agreement, and the Auditor shall indemnify and hold harmless the Village and shall be and remain liable to the Village in accordance with applicable law for all damages or losses, including attorneys’ fees and costs, to the Village caused by the Auditor’s negligent acts or omissions in the performance of any of the services furnished under this agreement. Liability hereunder shall not begin until such time as the Village tenders to auditor the defense of any cause of action arising out of the performance of this agreement. Any attorney to be engaged by the Auditor shall be approved by the Village, such approval not to be unreasonably withheld.

4.2 The provisions of this section shall survive termination of this Engagement.

5. Severability

5.1 If any term or provision of this Engagement shall to any extent be held invalid or unenforceable, the remainder of this Engagement shall not be affected thereby, and each remaining term and provision of this Engagement shall be valid and be enforceable to the fullest extent permitted by law.

6. Governing Law

6.1 This Engagement shall be construed in accordance with and governed by the laws of the State of Florida. Exclusive venue for any litigation shall be in Monroe County, Florida.
7. Notices/Authorized Representatives

7.1 Any notices required or permitted by this Agreement shall be in writing and shall be deemed to have been properly given if transmitted by hand-delivery, by registered or certified mail with postage prepaid return receipt requested, or by private postal service, addressed to the parties at the following addresses:

For the Village:

Islamorada, Village of Islands
Attention: Edward Koconis, Village Manager
81990 Overseas Highway
Islamorada, FL 33036
Telephone: (305) 664-6410
Facsimile: (305) 664-6464

With a copy to:

Weiss Serota Helfman Pastoriza Cole & Boniske, P.L. Village Attorneys
Attention: Nina L. Boniske, Esq.
2525 Ponce de Leon Blvd.
Suite 700
Coral Gables, FL 33134
Telephone: (305) 854-0800
Facsimile: (305) 854-2323

For Auditor:

Cherry, Bekaert & Holland, L.L.P.
Attention: James L. Burdick, Partner
800 North Magnolia Avenue, Suite 1300
Orlando, FL 32803-3255
Telephone: (407) 423-7911
Facsimile: (407) 841-4887

Either party shall have the right to change its address for notice purposes by sending written notice of such change of address to the other party in accordance with the provisions hereof.
8. **Independent Contractor**

8.1 Auditor is and shall remain an independent Auditor and is not an employee or agent of the Village. Services provided by Auditor shall be by employees of Auditor working under the supervision and direction of Auditor and nothing in this Engagement shall in any way be interpreted or construed to deem said employees to be agents, employees, or representatives of the Village. Auditor agrees that it is a separate and independent enterprise from the Village.

8.2 Auditor shall be responsible for all compensation, tax responsibilities, insurance benefits, other employee benefits, and any other status or rights of its employees during the course of their employment with Auditor. This Engagement shall not be construed as creating any joint employment relationship between Auditor and the Village, and the Village will not be liable for any obligation incurred by Auditor, including but not limited to unpaid minimum wages and/or overtime payments.

9. **Assignment/Subcontractors**

9.1 This Engagement shall not be assignable by Auditor without the prior approval of the Village Manager, at his/her sole discretion.

9.2 Auditor shall not subcontract any portion of the services required by this Engagement, except with the prior approval of the Village Manager.

10. **Prohibition Against Contingent Fees/Conflicts**

10.1 Auditor warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for Auditor, to solicit or secure this Engagement, and that it has not paid or agreed to pay any person(s), company, corporation, individual or firm, other than a bona fide employee working solely for Auditor, any fee, commission, percentage, gift, or any other consideration, contingent upon or resulting from the award or making of this Engagement.

10.2 In accordance with the Professional Standards of the AICPA, neither Auditor nor its employees shall have or hold any continuing or frequently recurring employment or contractual relationship that is substantially antagonistic or incompatible with Auditor’s loyal and conscientious exercise of judgment related to its performance under this Engagement.

10.3 Auditor agrees that none of its officers or employees shall, during this Engagement, serve as an expert witness against Village in any legal or administrative proceeding in which he or she is not a party, unless compelled by court process.
11. Warranties of Auditor

11.1 Auditor warrants and represents that at all times during this Engagement that it shall maintain in good standing with the State of Florida and other appropriate agencies all licenses and certificates of Auditor and its employees and agents required to perform services hereunder under federal and state laws.

11.2 Auditor represents that all persons delivering the services as required by this Engagement have the requisite knowledge and skills, either by training, experience, education, or a combination thereof, to adequately and competently perform the duties, obligations, and services set forth in this Engagement.

11.3 Auditor shall comply with all applicable federal and state, laws, rules and regulations in the performance of the services.

11.4 The audit firm’s professional personnel have received adequate continuing professional education in accordance with the requirements of the Florida State Board of Accountancy and Government Auditing Standards.

12. Engagement

This Attachment “A” (the “Supplemental Standards”) shall be supplemental and incorporated into the terms and conditions of the Letter of Agreement dated July 12, 2012, from the Auditor to the Village. (the “Letter of Agreement”) (collectively referred to as the “Engagement”).

In the event of a conflict between the Supplemental Standards and the Letter of Agreement, the Supplemental Standards shall govern the Engagement.

The Professional Standards of the AICPA shall be incorporated into this Engagement.

13. Term/Termination

13.1 The Village may terminate this Engagement at any time with cause by providing the Auditor with 30 days written notice of the same. Should the Village terminate this Engagement prior to completion of any pending annual Audit, the Auditor shall be paid for any services completed prior to the date of any such termination.

13.2 This Engagement may be renewed for one (1) additional one (1) year terms, subject to the mutual agreement between the Village and Auditor of terms and conditions for each renewal term, and Village Council approval for each renewal term.
August 27, 2010

System Review Report

To the Partners of Cherry, Bekaert & Holland L.L.P.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Cherry, Bekaert & Holland L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended April 30, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards; audits of employee benefit plans, and an audit performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Cherry, Bekaert & Holland L.L.P., applicable to non-SEC issuers in effect for the year ended April 30, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Cherry, Bekaert & Holland L.L.P. has received a peer review rating of pass.

EisnerAmper LLP