

AGREEMENT BETWEEN NASSAU COUNTY AND
FARMAND, FARMAND & FARMAND, P.A.
CERTIFIED PUBLIC ACCOUNTANTS, FOR
PROFESSIONAL FINANCIAL AUDITING SERVICES

THIS AGREEMENT BETWEEN NASSAU COUNTY AND FARMAND, FARMAND & FARMAND, P.A., CERTIFIED PUBLIC ACCOUNTANTS, FOR PROFESSIONAL FINANCIAL AUDITING SERVICES, hereinafter referred to as this "Agreement", is made and entered into as of this 30th day of April, 2001, by and between Nassau County, a political subdivision of the State of Florida, by and through its Board of County Commissioners, hereinafter referred to as the "County", and Farmand, Farmand & Farmand, P.A., Certified Public Accountants, a Florida professional association and a certified public accounting firm registered in the State of Florida, hereinafter referred to as the "Auditor".

Recitals

WHEREAS, The County and the Auditor desire to renew this Agreement in order to provide for the terms of the engagement by which the Auditor will perform the financial auditing services as previously agreed upon and as restated in this agreement.

WITNESSETH

NOW, THEREFORE, in consideration of the foregoing Recitals, of the mutual covenants and promises hereinafter set forth, and for good and valuable consideration, the receipt of which is hereby acknowledged and objections to the sufficiency and adequacy of which are hereby waived, the parties agree to as follows:

1. General Conditions.

Insurance – Without limiting its liability under this Agreement, the Auditor shall procure and maintain during the life of this Agreement professional liability/errors and omission coverage on an annual aggregate of Two Hundred and Fifty Thousand Dollars (\$250,000). The Auditor will provide a Certificate of Insurance to the County upon request.

2. Term.

This Agreement shall commence on the day and year above first written and shall be for a period of five years to cover auditing services for each of the County's fiscal years ending September 30 in 2001, 2002, 2003, 2004 and 2005, and shall continue in full force until completion of the services detailed in "Section 3" of this Agreement.

3. Scope of Services.

The County engages the Auditor to perform, and the Auditor agrees to perform in a good and professional manner, the services set forth herein. The Auditor agrees to conduct an audit examination that shall be a financial and compliance audit of the following integral parts of the County for each of the County's fiscal years ending September 30 in 2001, 2002, 2003, 2004 and 2005. The Auditor will prepare and audit the combined, combining and individual fund financial statements of the Board of County Commissioners, Supervisor of Elections, Clerk of the Circuit Court, Sheriff, Tax Collector and Property Appraiser for each of the County's fiscal years ending September 30 in 2001, 2002, 2003, 2004 and 2005.

- a. The Auditor shall express an opinion on the fair presentation of the County's general purpose financial statements in conformity with generally accepted accounting principles. The Auditor shall express an opinion on the fair presentation of the County's combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. The Auditor is not required to audit the supporting schedules contained in the *Comprehensive Annual Financial Report*. However, the Auditor shall provide an "in-relation-to" report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements and the combining and individual fund and account group financial statements and schedules. The Auditor is not required to audit the "Statistical Section" of the report.

The Auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards. The Auditor is not required to audit the schedule of federal financial assistance. However, the Auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

The audit shall be performed in accordance with:

Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the United States General Accounting Office's *Government Auditing Standards (1994)*, the provisions of the federal Single Audit Act Amendments of 1996, and U. S. Office of Management and Budget (OMB) *Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations,"* and *Section 11.45(3)(a)4.0, Florida Statutes,* and *Rules of the Auditor General, "Chapter 10.550,"* and any other required standards or requirements that are or become applicable. The Auditor acknowledges that it is currently aware of federal and state laws applicable to counties.

- b. Required Reports – Following the completion of the audit of each fiscal year’s financial statements during the term of the Agreement, the Auditor shall issue:
- i. General Purpose Financial Statements with all necessary individual, combining, and combined statements and schedules needed to meet the requirements of the *Comprehensive Annual Financial Report (CAFR)* Certificate of Achievement for Excellence in Financial Reporting Program.
 - ii. Individual financial statements for the Board of County Commissioner, Clerk of the Circuit Court, Supervisor of Elections, Sheriff, Tax Collector and Property Appraiser.
 - iii. All combined and individual audit reports required by the Auditor General for the Board of County Commissioners, Clerk of the Circuit Court, Supervisor of Elections, Sheriff, Tax Collector and Property Appraiser.
 - iv. All reports required by the United States General Accounting Office’s *Government Auditing Standards* and OMB *Circular A-133* for the federal and state financial assistance programs.

In the required report(s) on internal controls, the Auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization’s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the Auditor shall be reported verbally to management.

The reports on compliance shall include all instances of noncompliance. The Auditor shall make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which it becomes aware to the appropriate authority in the organization. The Auditor shall assure itself that the Board and the Constitutional Officers are informed of each of the following:

- The Auditor’s responsibility under generally accepted auditing standards.
- Significant audit adjustments.
- Difficulties encountered in performing the audit.

- c. Special Considerations in connection with Scope of Services:

- i. The County will send its *Comprehensive Annual Financial Report* to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting Program. It is anticipated that the Auditor will be required to provide special assistance to the County to meet the requirements of that program.
 - ii. The County is progressive in its attitude toward new accounting standards. Early implementation may be practiced when recommended. The Auditor should be able to provide guidance and assist in the implementation of current changes in governmental accounting standards.
 - iii. The County currently anticipates that it will prepare one or more official statements in connection with the sales of debt securities which will contain the general purpose financial statements and the Auditor's report thereon. The Auditor shall be required, if requested by the County's financial advisor and/or underwriter, to issue a "consent and citation of expertise" letter.
 - iv. Compensation for the above special considerations shall be billed by the Auditor based upon the normal hourly rates.
- d. Working Paper Retention and Access to Working Papers. The Auditor will be required to make working papers available, upon request, to the following parties or their designees:
- i. Officials of Nassau County.
 - ii. United States General Accounting Office (GAO).
 - iii. Parties designated by the federal or state governments or by the County as part of an audit quality review process.
 - iv. Auditors of entities of which the County is a sub-recipient of grant funds.

4. Time Requirements for Services.

- a. The accounting records will generally be available for audit by August 1st of each year.
- b. Preliminary board financial statements and county wide General Purpose Financial Statements with all necessary individual, combining and combined statements and schedules needed to meet the requirements of the *Comprehensive Annual Financial Report* shall be delivered to the County by February 25th of each year.

- c. Final General Purpose Financial Statements with all necessary individual, combining and combined statements and schedules needed to meet the requirements of the *Comprehensive Annual Financial Report* shall be delivered to the County by March 30th of each year.
- d. The combined audit reports of the county wide financial statements and the individual audit reports of the Board and constitutional officers required by the Florida Auditor General shall be delivered to the County by March 30th of each year.

5. Assistance to Be Provided to the Auditor and Report Preparation.

- a. The Financial Services Department staff and Constitutional Officers' staff and responsible management personnel will be available during the audit to assist the Auditor by providing information, documentation and explanations. Nassau County will provide the Auditor with reasonable work space, desks and chairs. The Auditor will also be provided with access to one telephone line and photocopying facilities. No long distance call shall be charged to the County.
- b. Report Preparation. All reports shall be the responsibility of the Auditor (prepare, assemble, type, print and bind). These include but, are not limited to the following:
 - i. General Purpose Financial Statements with all necessary individual, combining and combined statements and schedules needed to meet the requirements of the *Comprehensive Annual Financial Report* (CAFR) Certificate of Achievement for Excellence in Financial Reporting Program.
 - ii. Combined and individual financial statements audit reports for the Board of County Commissioners, Clerk of the Circuit Court, Supervisor of Elections, Sheriff, Tax Collector and Property Appraiser.
 - iii. County wide Annual Financial Report of Units of Local Government.

6. Auditor Independence.

The Auditor affirms that it is independent of Nassau County as defined by generally accepted auditing standards and the United States General Accounting Office's *Government Auditing Standards (1994)*. The Auditor shall give the County written notice of any professional relationships involving the County or any of its agencies entered into during the period of Agreement.

7. Compensation.

Our fee for these services, shall be based upon the actual time spent at our standard hourly rates for the audits of the Nassau County: Board of County Commissioners, Supervisor of Elections, Clerk of the Circuit Court, Tax Collector, Sheriff and Property Appraiser, for each of the fiscal years ending September 30, 2001, 2002, 2003, 2004 and 2005.

Each year's fee shall be based upon the percentage increase or decrease in operating expenditures of the general, special revenue, debt service and enterprise funds. The Enterprise Fund's grant and interest expenses are treated as operating expenses for this calculation. However, the percentage increase or decrease will be limited to 8% of the contract amount for that particular year. The base contract amount will be \$79,797 which is the fee for the 1999-2000 fiscal year.

The change in the operating expenditures will be calculated using the previous two (2) years audited financial statements. The audit fee for the 2000-2001 fiscal year will be \$86,148 plus out-of-pocket expenses (original \$79,767 + 8% increase of \$6,381) calculated as follows:

<u>Fund's Name</u>	<u>Operating Expenditures 1999-2000</u>	<u>Operating Expenditures 1998-1999</u>	<u>Change Increase (Decrease)</u>
General Fund	\$15,350,867	\$14,505,719	\$ 845,168
Special Revenue Funds	25,282,127	22,133,147	3,148,890
Debt Service Fund	3,603,914	3,152,656	451,258
Enterprise Fund	<u>5,381,685</u>	<u>5,903,455</u>	<u>(521,770)</u>
Total Operating Expenditures	<u>\$49,618,613</u>	<u>\$45,694,977</u>	<u>\$3,923,636</u>

The above tabulations does not include any expenditures in the capital projects funds or agency funds because there are no operating expenditures in these funds.

Accordingly, the change in operating expenditures for the 1999-2000 over the 1998-1999 fiscals year was an increase of \$3,923,636 as shown above. This calculates to an increase of 8.587% ($\$3,923,636 \div \$45,694,977$). Therefore, the contract amount will be limited to 8% as stated above. Also, future years contract amounts will be calculated in the same manner for each year of the contract. Accordingly, a letter showing the above calculations and the adjusted contract amount will be sent to you by April 30th of each year.

8. Other Services/Specifications.

This Agreement relates only to the audit of the accounts and records and the financial statements in the present form. Any additional work relating to the GASB 34 issue will be billed separately based on our hourly rates as the work is performed.

9. Manner of Payment.

The County shall make progress payments to the Auditor on the basis of work completed. Interim billings shall cover a period of not less than a calendar month.

10. Termination.

This Agreement shall continue and remain in full force and effect as to all its terms, conditions and provisions as set forth herein. If either party is in default under the provisions of this Agreement the non-defaulting party may terminate this Agreement by first giving written notice of the default and giving time, not to exceed 30 days within which to correct the default. If the default is not corrected within that time period the non-defaulting party may terminate this Agreement by written notice.

11. Miscellaneous.

- a. The County and the Auditor each bind the other and their respective successors and assigns in all respects to all of the terms, conditions, covenants and provisions of this Agreement. Nothing herein shall be construed as creating any personal liability on the part of any officer, employee or agent of the County and Constitutional Officers nor shall it be construed as giving any right or benefit hereunder to anyone other than the County, Constitutional Officers or Auditor.
- b. If unusual circumstances are encountered making it necessary for us to do additional work, we shall immediately report such conditions to you and both parties may negotiate such additional compensation as appears justified. Periodic progress billings shall be submitted as the work progresses but no more often than twice a month.
- c. This Agreement may be amended by mutual written agreement of the parties hereto. Further, this Agreement, scope of services, time of completion and other material terms and conditions, may be changed only by such written amendment.
- d. In the performance of this Agreement, the Auditor will be acting in the capacity of an independent contractor and not as an agent, employee, partner, joint venturer or associate of the County or Constitutional Officers. The Auditor shall be solely responsible for the means, method, technique, sequences and procedures utilized by the Auditor in the full performance of this Agreement.

- e. This Agreement shall be automatically renewed for an additional five year period under the same terms and conditions unless either party wishes to change a specific provision of the Agreement.

12. Entire Agreement.

This Agreement represents the entire understanding and agreement between the County and the Auditor with respect to the subject matter hereof.

13. Effective Date.

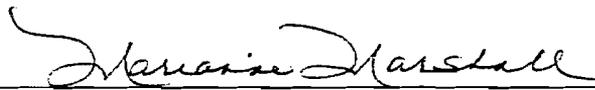
This Agreement shall be deemed effective as of the date and year first above-written.

ATTEST:

NASSAU COUNTY, a political subdivision
Of the state of Florida, by and through
its Board of County Commissioners

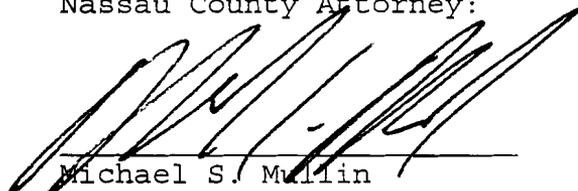


J. M. "CHIP" OXLEY, JR.
Its: Ex-Officio Clerk



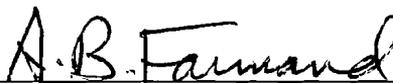
MARIANNE MARSHALL
Its: Chairperson

Approved as to form by the
Nassau County Attorney:



Michael S. Mullin

FARMAND, FARMAND, & FARMAND, P.A.
Certified Public Accountants
A Florida Professional Association



A. B. Farmand, C.P.A.
Its: President

A.B. Farmand, C.P.A.
Terry B. Farmand, C.P.A.
Mike B. Farmand, C.P.A.



Member:
American Institute of
Certified Public Accountants
Florida Institute of
Certified Public Accountants

May 26, 2004

Honorable Floyd Vanzant
Nassau County Board of County Commissioners
P.O. Box 456
Fernandina Beach, FL 32035

Dear Mr. Vanzant

This letter will confirm our understanding regarding the consulting and accounting services that we will be providing the Board of County Commissioners of Nassau County, Florida for the year ending September 30, 2004.

A. Board's Financial Statements.

1. We will prepare from your records the Board of County Commissioners annual financial statements for all funds for the year ending September 30, 2004 pursuant to Section 218.321, Florida Statutes.
2. Our fee for the above services shall be billed at our standard hourly rates, but not to exceed \$32,000.00

B. Water and Sewer Fund Financial Statements Preparation and Related Audit of Same

1. We will prepare from your records the fund financial statements of the Water and Sewer Fund for the fiscal year ending September 30, 2004.
2. We will audit the accounts and records and fund financial statements of the Water and Sewer Fund for the fiscal year ending September 30, 2004
3. Our fee for these services shall be billed at our standard hourly rates, but not to exceed \$25,000.00.

APPROVED

303 Atlantic Boulevard • Jacksonville, Florida 32207 • Telephone 904/396-6838 • Fax 904/346-0400
303 Centre Street, Suite 201 • Fernandina Beach, Florida 32034 • Telephone 904/261-0114 • Fax 904/261-3436

DATE 11/8/04
01

C. GASB – 34 BASIC FINANCIAL STATEMENTS

1. We will adjust the fund financial statements, after completion of same, for the GASB – 34 format.
2. We will prepare the appropriate trial balances so that adjusting entries for including the fixed assets and the long term liabilities as well as other related entries on the trial balances.
3. We will prepare the BASIC FINANCIAL STATEMENTS (The GASB – 34 Format) for the fiscal year ending September 30, 2004.
4. Our fee for these services shall be billed at our standard hourly rates, but not to exceed \$95,000.00.

D. Solid Waste Escrow Account.

1. We will audit the solid waste escrow account in accordance with applicable laws and regulations for the year ending September 30, 2004.
2. We will prepare the audit report of the escrow account in accordance with applicable law, rules and regulations.
3. Our fee for the above services shall be billed at our standard hourly rates, but not to exceed \$8,000.00.

E. Sheriff's Investigative Funds.

1. We will audit the Sheriff's investigative funds for the year ending September 30, 2004 to account for funds received and expended by the Sheriff's office personnel.
2. We will prepare the fund financial statements for the Sheriff's Investigative Fund in accordance with applicable rules.
3. Our fee for these services shall be billed at our standard hourly rates, but not to exceed \$3,500.00.

F. Public Defender Cases and State Attorney and Public Defender Reimbursements.

1. We will review the reimbursements for the State Attorney and Public Defender expenses pursuant to law for the year ending September 30, 2004.
2. We will review the Public Defender cases filed in accordance with law for the year ending September 30, 2004.
3. We will prepare appropriate reports in accordance with applicable law.
4. Our fee for the above services shall be billed at our standard hourly rates, but not to exceed \$7,500.00.

G. Other Services

1. At your request, we will provide you with any additional accounting or consulting services.
2. Our fee for these services shall be billed at our standard hourly rates as follows:

Partner	\$150.00
Manager	95.00
Senior Accountant	90.00
Accountant	75.00
Bookkeeper	70.00
Secretarial	65.00

Thank you for your confidence in our firm. We are looking forward to working with you and having a pleasant and lasting relationship.

Honorable Floyd Vanzant
Nassau County Board of County Commissioners
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Please indicate your approval of this agreement by signing this letter in the space provided and returning it to us. A copy is enclosed for your files.

Very truly yours,

Farmand, Farmand & Farmand, P.A.
Farmand, Farmand & Farmand, P.A.
Certified Public Accountants

OFFICER *A. B. Farmand, President*

BOARD OF COUNTY COMMISSIONERS
APPROVAL:

By *Floyd R. Vanzant*

Title Chairman

Date November 8, 2004

Attest:

J.M. Oxley, Jr.
J.M. "Chip" Oxley, Jr.
Ex-Officio Clerk

Approved as to Form:

Michael S. Mullin
Michael S. Mullin
County Attorney

A.B. Farmand, C.P.A.
Terry B. Farmand, C.P.A.
Mike B. Farmand, C.P.A.

Farmand, Farmand & Farmand, P.A.
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants
Florida Institute of
Certified Public Accountants

May 26, 2004

Honorable Clerk of Courts
and Honorable Board of
County Commissioners
Nassau County, Florida

Dear Sirs and Madams,

This letter represents the calculation of the audit fee for the 2003 - 2004 fiscal year based upon the provisions of our contract, dated April 30, 2001, for auditing services with the Board of County Commissioners.

The 2003 - 2004 audit fee is based upon the percentage increase or decrease in operating expenditures of the general, special revenue, debt service, and enterprise funds. However, this percentage increase or decrease is limited to 8% of the previous year's contract amount. The contract amount for the previous year (2002 - 2003) was \$100,483 plus out-of-pocket expenses.

The change in the operating expenditures is calculated using the previous two (2) years audited financial statements. The audit fee for the 2003-2004 fiscal year is calculated as follows:

<u>Fund's Name</u>	<u>Operating Expenditures 2002-2003</u>	<u>Operating Expenditures 2001-2002</u>	<u>Change Increase (Decrease)</u>
General Fund	\$36,554,482	\$36,270,585	\$ 283,897
Special Revenue Funds	20,003,478	16,844,113	3,159,365
Debt Service Fund	5,406,557	6,142,175	(735,618)
Enterprise Fund	<u>10,144,614</u>	<u>6,371,381</u>	<u>3,773,233</u>
Total Operating Expenditures	<u>\$72,109,131</u>	<u>\$65,628,254</u>	<u>\$ 6,480,877</u>

The above tabulation does not include any expenditures in the capital projects funds which totaled \$18,869,163 or the agency funds which totaled in excess of \$110,000,000 because there are no operating expenditures in these funds.

Honorable Clerk of Courts
and Honorable Board of
County Commissioners
Page 2

Accordingly, the change in operating expenditures for the 2002-2003 fiscal year over the 2001 - 2002 fiscal year was an increase of \$6,480,877 as shown above. This calculates to an increase of 9.875% ($\$6,480,877 \div \$65,628,254$). Therefore, the contract amount will be limited to 8% as stated above, or \$8039. Accordingly, the total contract amount for the fiscal year ending September 30, 2004 will be \$108,522 plus out-of-pocket expenses.

We thank you for giving us the opportunity to serve you, and we look forward to a mutually beneficial relationship for many years to come. If there are any questions, please do not hesitate to contact me.

Sincerely,

Farmand, Farmand & Farmand, P.A.
Certified Public Accountants

A. B. Farmand, CPA
A. B. Farmand, C.P.A.

ABF/ggg



NASSAU COUNTY
BOARD OF COUNTY COMMISSIONERS
P. O. Box 1010
Fernandina Beach, Florida 32035-1010

Nick Deonas
Ansley Acree
Vickie Samus
Floyd L. Vanzant
Marianne Marshall

Dist. No. 1 Fernandina Beach
Dist. No. 2 Fernandina Beach
Dist. No. 3 Yulee
Dist. No. 4 Hilliard
Dist. No. 5 Callahan

November 15, 2004

J. M. "Chip" OXLEY, JR.
Ex-Officio Clerk

MICHAEL S. MULLIN
County Attorney

A.B. Farmand, President
Farmand, Farmand, & Farmand, P.A.
Certified Public Accountants
303 Centre Street, Suite 201
Fernandina Beach, FL 32034

RE: Auditing Service Fees

Dear Mr. Farmand:

During a regular session of the Nassau County Board of County Commissioners held November 8, 2004, the Board approved and authorized the Chairman to sign the referenced agreement, supplement to the agreement for Professional Financial Auditing Services. A copy of the agreement letter is enclosed for your files.

Please let me know if I can be of any further service to you.

Sincerely,

J.M. "Chip" Oxley, Jr.
Ex-Officio Clerk

Enclosure