

**CITY OF SANIBEL
RESOLUTION NO. 13-068**

A RESOLUTION APPROVING AN AGREEMENT WITH CLIFTONLARSONALLEN LLP TO PROVIDE AUDITING SERVICES TO THE CITY OF SANIBEL AND APPROVING AN AUDIT ENGAGEMENT LETTER FOR THE CITY'S 2012-2013 FISCAL YEAR AUDIT; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT AND ENGAGEMENT LETTER ON BEHALF OF THE CITY; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City of Sanibel desires to obtain the services of an experienced auditing firm to audit its financial statements for the fiscal years ending September 30, 2013, 2014 and 2015; and

WHEREAS, City Council appointed an Audit Committee pursuant to Florida Statutes on May 7, 2013 to evaluate proposals; and

WHEREAS, the City of Sanibel competitively advertised for professional auditing services; and

WHEREAS, the City of Sanibel received seven proposals that met the submission requirements as advertised; and

WHEREAS, the Audit Committee evaluated the proposals and recommended that the first ranked firm of CliftonLarsonAllen LLP be retained for the subject auditing services;

NOW THEREFORE, BE IT RESOLVED, by the City Council, City of Sanibel, Florida, that:

SECTION 1. CliftonLarsonAllen LLP, is hereby selected and retained as the City of Sanibel auditing firm to audit its financial statements.

SECTION 2. The City Manager is authorized to execute an Agreement, in substantially the form attached hereto and incorporated herein as Exhibit "A", with CliftonLarsonAllen LLP for auditing services of fiscal years ending September 30, 2013, 2014 and 2015 with the option to extend for two additional years.

SECTION 3. The City Manager is authorized to execute an Engagement Letter, in substantially the form attached hereto and incorporated herein as Exhibit "B", with CliftonLarsonAllen LLP for the City's 2012-2013 fiscal year audit.

SECTION 4. Effective date.

This resolution shall take effect immediately upon adoption.

DULY PASSED AND ENACTED by the Council of the City of Sanibel,
Florida, this 6th day of August, 2013.

AUTHENTICATION:

Kevin Ruane, Mayor

Pamela Smith, City Clerk

APPROVED AS TO FORM:

Kenneth B. Cuyler 7/25/13
Kenneth B. Cuyler, City Attorney Date

Vote of Council Members:

Ruane _____
Congress _____
Denham _____
Harrity _____
Jennings _____

Date filed with City Clerk: _____

**CITY OF SANIBEL
AUDIT AGREEMENT**

This agreement, made and entered into in Sanibel, Florida this _____, by and between the City of Sanibel, a municipal corporation, hereinafter referred to as the CITY, and CliftonLarsonAllen LLP, authorized to do business in the State of Florida hereinafter referred to as AUDITOR:

WHEREAS, the CITY qualified the AUDITOR to provide financial auditing services in accordance with the Request for Proposal #13-FIN01 and the AUDITOR'S response to same, in accordance with Section 218.39, Florida Statutes: and

WHEREAS, the CITY pursuant to the provisions of Sections 11.45 and 218.39, Florida Statutes, has selected and now desires to retain the professional services of AUDITOR for the purposes of meeting the requirements thereof.

NOW, THEREFORE, IT IS AGREED by and between the parties hereto, each in considerations of the mutual promises and covenants of the other:

1. Definitions – As used herein, the following terms shall have the following meanings:
 - a. Department – means the Department of Financial Services.
 - b. Financial Audit – means an examination of financial statements in order to express an opinion on the fairness with which they present financial position, results of operations in conformity with accounting principles generally accepted in the United States of America, and an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements.
 - c. Financial Audit Report – means the report required to be filed with the Auditor General by section 218.39, Florida Statutes.
 - d. Financial Report – means the financial report covering the operations of the CITY during the preceding fiscal year as required by Section 218.32, Florida Statutes.
 - e. Comprehensive Annual Financial Report (CAFR) – means the form of the City's financial statements to comply with the checklist of required information as provided by the Government Finance Officers' Association of the United States and Canada (GFOA).

2. Scope of Audit

The Request for Proposals defines the Scope of Work the terms of which are incorporated herein by this reference. The following enumerates certain specific tasks and understandings:

- a. Funds and Account Groups – the AUDITOR shall make a Financial Audit of the CITY and, in addition thereto, an audit if required by the Florida Single Audit Act and OMB Circular A-133 and in conformance with other applicable federal laws, rendering its opinion thereon.
- b. CAFR - the AUDITOR shall review the financial statements with the checklist of required information for the City to submit its CAFR to the GFOA for the award program entitled *Award for Excellence in Financial Reporting*.

- c. Year – This agreement shall embrace the CITY'S fiscal years 2012-2013, 2013-2014 and 2014-2015. The term of this Contract may be renewed for two (2) additional one (1) year terms upon written agreement of both parties.
- d. Discussion – At the conclusion of the audit fieldwork, the AUDITOR shall discuss their comments with the Finance Director and the City Manager.
- e. Management Letter – if certain matters are not already addressed in the auditor's reports on internal controls over financial reporting and on compliance and other matters, or in the schedule of findings and questioned costs, or prior year management comments have not been followed, the AUDITOR shall provide a Management Letter to the City Manager for inclusion in the CAFR in order for the City to provide responses thereto pursuant the Section 10.554(1)(h)1., Rules of the Auditor General.
- f. Presentation to City Council – the AUDITOR shall present the results of each year's audit to the City Council including a Report on Financial Indicators using benchmark cities compiled by groupings as determined by the Auditor General, selected by certain common criteria such as taxable property valuation, population and whether or not the City has Proprietary Funds.

3. Quality

- a. All work done hereunder shall be of the quality required by applicable state or federal law, including rules and regulations issued hereunder.
- b. As a part of the examination, AUDITOR will make a study and evaluation of the CITY'S system of internal accounting control to the extent considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the AUDITOR in planning and performing the examination of the financial statements.

Such examinations include procedures designed to detect errors and irregularities that would have a material effect on the financial statements. However, as the CITY is aware, there are inherent limitations in the auditing process; for example, such examinations are based on the concept of selective testing of the data being examined and are therefore subject to the inherent limitation that such matters, if they exist, may not be detected.

The CITY recognizes that the establishment and maintenance of a system of internal accounting control is an important responsibility of management. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors, irregularities, or illegal acts. As part of AUDITOR'S aforementioned review of the CITY'S system of internal control, AUDITOR will inform the appropriate levels of the CITY'S management of weaknesses, if any, that AUDITOR believes should be corrected and the AUDITOR'S recommendations in this respect.

4. Completion

- a. The work shall be considered complete with the filing with the Auditor General of the required Financial Audit Report and with the mailing of the CAFR to the GFOA. The Financial Audit shall be completed and submitted to the Auditor General within nine months after the close of the CITY'S accounting records, or within such other period of time as the Legislature may, from time to time, prescribe and the CAFR shall be completed and submitted to the GFOA within 180 days after the close of the CITY's fiscal year.
- b. If the CITY intends to publish or otherwise reproduce the financial statements and make reference to Firm name, the CITY agrees to provide AUDITOR with printers' proofs or masters for review and approval before printing. The CITY also agrees to provide copy to AUDITOR of final reproduced material for approval before it is distributed.
- c. AUDITOR shall provide twelve (12) copies of the audit report, which should be printed on regular letter size (8 ½ x 11) paper.

5. Fraud

Should fraud, evidence of illegal acts or other unforeseeable conditions be encountered which may necessitate the extension of the auditing work beyond the scope of normal auditing procedures or reporting requirements, the AUDITOR agrees to advise the CITY of the circumstances and to request an increase in the total fees made available before significant additional costs are incurred. Any request for additional fees shall be made in writing and shall contain a detailed explanation of the unforeseen conditions or irregularities. Upon receipt of a written request from the CITY, the AUDITOR shall perform such additional auditing services as may be necessary.

It is understood that the examination cannot be expected to provide assurance that fraud or illegal acts will be detected.

6. Insurance Requirements

The AUDITOR upon being awarded the contract and before commencing any work, shall provide insurance and furnish the City Certificate of Insurance as follows:

The policies of Insurance shall be primary and written on forms acceptable to the City and placed with Insurance carriers approved and licensed by the Insurance Department in the State of Florida and meet a minimum financial A.M. Best & Company rating of no less than A: VII. The City of Sanibel is to be specifically included as an Additional Insured with regard to Comprehensive General Liability and the following shall also be stated on the Certificate: The City of Sanibel shall be designated as Certificate Holder. No City division, department or individual name should appear on the Certificate. No other format will be acceptable. The Certificate must state the RFP number and title. This does not pertain to Workers' Compensation.

In the event the insurance coverage expires prior to the completion of the contract, a renewal certificate shall be issued thirty (30) days prior to said expiration date. The policy shall provide a thirty (30) day notification clause in the event of cancellation or modification to the policy.

COMPREHENSIVE GENERAL LIABILITY

Not less than \$500,000 per occurrence; Combined Single Limit for Bodily Injury Liability and Property Damage Liability. This shall include Premises and/or Operations, Independent Contractors and Products and/or Completed.

WORKERS' COMPENSATION

Coverage per statutory Limits.

7. Work Papers

The AUDITOR shall make its work papers, records and other evidence and documents relating to such work available for inspection and copying by the CITY to the extent necessary to support balances set forth in the Financial Audit Reports.

8. Compensation and Terms of Payment

- a. In consideration of the services to be performed by AUDITOR, the CITY shall pay AUDITOR the sums as outlined in Paragraph 8(b) below, together with such additional compensation for additional work beyond the scope of normal auditing procedures as provided in Paragraph 5 hereof.
- b.

2012 – 2013	\$55,000
2013 – 2014	\$56,375
2014 – 2015	\$57,750
- c. Fees will be paid in payments based on the work completed.

9. Terms of This Agreement

This agreement shall commence on the date of its execution and shall terminate on the completion of the 2014- 2015 audit, pending the outcome of the two (2) year extension clause outlined in Paragraph 2(c). Provided, however, that this agreement shall terminate and be re-negotiated upon the happening of any of the following events:

- a. A substantial change in the laws, rules or regulations of the State of Florida, agencies and political subdivisions thereof, including the Florida State Board of Accountancy requiring a substantial increase or decrease in the auditing requirements now in existence, or
- b. Written notice of cancellation by the CITY, with or without cause, giving 30 days notice to AUDITOR. AUDITOR shall be paid for all work completed prior to notice of cancellation. The AUDITOR may terminate this Agreement by submitting a written notice to the CITY by March 31 of each work year.

- c. Annually the Auditors shall prepare an audit engagement letter describing the purpose and scope of work to be performed. Each audit engagement letter must be approved by the City Council. The engagement letter will be updated annually for new audit standards and new communication requirements. In the event that the audit engagement letter's wording conflicts with this agreement, the audit engagement letter upon approval by City Council shall prevail.
10. Unless specifically exempted by Florida law, in whole or in part, contractor shall comply with the requirements of Section 119.0701, Florida Statutes, which requires a City contractor, as defined therein, to comply with public records laws, and specifically to:
- (a) Keep and maintain public records that ordinarily and necessarily would be required by the public agency in order to perform the service.
 - (b) Provide the public with access to public records on the same terms and conditions that the public agency would provide the records and at a cost that does not exceed the cost provided in Chapter 119, Florida Statutes, or as otherwise provided by law.
 - (c) Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law.
 - (d) Meet all requirements for retaining public records and transfer, at no cost, to the public agency all public records in possession of the contractor upon termination of the contract 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 public agency in a format that is compatible with the information technology systems of the public agency.

11. Controlling Law

This agreement is to be governed by the laws of the State of Florida. The venue for any litigation resulting out of this agreement shall be in Lee County, Florida. If any legal action, including action in appellate proceedings, is brought by either of the parties hereto, it is expressly agreed that the party in whose favor final judgment shall be entered shall be entitled to recover from the other party reasonable attorney's fees plus all other costs arising out of litigation incurred at either trial or appellate level in addition to any other relief which may be awarded.



CliftonLarsonAllen

CliftonLarsonAllen LLP
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Fort Myers, FL 33912-7129
239-226-9900 | fax 239-226-9950
CLAconnect.com

August 6, 2013

City Council and Management
City of Sanibel, Florida
800 Dunlop Road
Sanibel, Florida 33957-0750

Honorable Mayor and Members of the City Council:

We are pleased to confirm our understanding of the services CliftonLarsonAllen LLP (CLA) will provide for City of Sanibel, Florida ("you" or "your") for the year ended September 30, 2013.

Scope

We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of City of Sanibel, Florida as of and for the year ended September 30, 2013, and the related notes to the financial statements. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement City of Sanibel, Florida's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to City of Sanibel, Florida's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis.
2. Budgetary comparison schedules.
3. GASB-required supplementary pension and OPEB information under modified reporting.

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

1. Combining and individual fund statements.
2. Information for a Comprehensive Annual Financial Report (CAFR).

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

1. Introductory section.
2. Statistical data.

Audit objectives

The objective of our audit is the expression of opinions about whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP) and to report on the fairness of the supplementary information referred to in the third paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of your financial statements. We will make reference to Tuscan & Company, P.A.'s audit of Community Housing and Resources, Inc. in our report on your financial statements. If our opinions on the financial statements are other than unmodified, we will 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 to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that City of Sanibel, Florida is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

Management is responsible for making all management judgments and decisions and performing all management functions. Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; for the selection and application of accounting principles; and for the preparation of and fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sanibel, Florida and the respective changes in financial position and, where applicable, cash flows, in accordance with U.S. generally accepted accounting principles.

You are also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. You are also responsible for providing us with access to component information, those charged with governance of components, component management, and component auditors (including relevant audit documentation and communications).

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

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

if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

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

For all nonattest (nonaudit) services we may provide to you, management agrees to assume all management responsibilities; designate an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services.

Audit procedures - general

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

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

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also 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 require certain written representations from you about the financial statements and related matters.

Audit procedures - internal control

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

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

Audit procedures - compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Sanibel, Florida's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit 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*.

Engagement administration

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

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

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

At a minimum, we shall comply with the Florida Records Law as required by Section 10 of our Contract with you dated August 6, 2013. The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the Auditor General of the State of Florida. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Martin A. Redovan is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit on approximately January 20, 2014.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any subsequent peer review reports received during the period of the contract. Our 2010 peer review reports accompany this letter.

Use of financial statements

If you intend to reproduce and publish the financial statements and our report thereon, they must be reproduced in their entirety. Inclusion of the audited financial statements in a document, such as an annual report or an offering document, should be done only with our prior approval of the document. You are responsible to provide us the opportunity to review such documents before issuance.

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

Limitation of remedies

Our role is strictly limited to the engagement described in this letter, and we offer no assurance as to the results or ultimate outcomes of this engagement or of any decisions that you may make based upon our communications with, or our reports to, you. The City will be solely responsible for making all decisions concerning the contents of our communications and reports, for the adoption of any plans, and for implementing any plans you may develop, including any that we may discuss with you.

You agree that it is appropriate to limit the liability of CliftonLarsonAllen LLP (CliftonLarsonAllen), its partners, directors, officers, employees, and agents ("we" or "us") and that this limitation of remedies provision is governed by the laws of the State of Florida, without giving effect to choice of law principles.

The exclusive remedy available to you in the event of a disagreement, controversy, or claim ("Dispute") shall be the right to pursue claims for actual damages that are directly caused by acts or omissions that are breaches by us of our duties under this agreement, but any recovery on any Dispute shall not exceed \$500,000.

Time limitation

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute. We both agree that any action or legal proceeding by you against us must be commenced within the period of limitations as delineated in Florida Statute 95.11(4)(a), regardless of whether we do other services for you relating to the audit report, or shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery.

Fees

We estimate that our fees for these services will be \$55,000. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

You also agree to compensate us for any time and expenses, including time and expenses of legal counsel, we may incur in responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings that we are asked to respond to on your behalf. You and your attorney will receive a copy of every subpoena or request we are asked to respond to. You can control the costs of any discovery process or document request by informing us which requests you would like us to act on.

Subcontractors

CLA may, at times, use subcontractors to perform services under this agreement, and they may have access to your information and records. Any such subcontractors will be subject to the same restrictions on the use of such information and records as apply to CLA under this agreement. We will be as responsible for any act done by these subcontractors as we are for any act done by a CLA employee under this agreement.

Agreement

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. Please sign, date, and return the enclosed copy of this letter to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our audit of your financial statements including the terms of our engagement and our respective responsibilities.

Sincerely,

CliftonLarsonAllen LLP



Martin A. Redovan, CPA
Partner
239-226-9902
martin.redovan@CLAconnect.com

Enclosure

Response:

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

Authorized Signature: _____

Title: _____

Date: _____

Authorized Signature: _____

Title: _____

Date: _____

APPROVED AS TO FORM:

CITY ATTORNEY



System Review Report

To the Principals of LarsonAllen LLP
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of LarsonAllen LLP (the firm) applicable to non-SEC issuers in effect for the year ended March 31, 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 the *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 applicable to non-SEC issuers of LarsonAllen LLP in effect for the year ended March 31, 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*. LarsonAllen LLP has received a peer review rating of *pass*.

Clifton Gunderson LLP

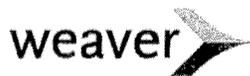
August 13, 2010

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System Review Report

To the Partners of
Clifton Gunderson LLP
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Clifton Gunderson LLP (the firm) applicable to non-SEC issuers in effect for the year ended July 31, 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 upon 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 audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Clifton Gunderson LLP applicable to non-SEC issuers in effect for the year ended July 31, 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*. Clifton Gunderson LLP has received a peer review rating of *pass*.

Weaver and Tidwell, LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 3, 2010