

AGREEMENT

This Agreement made this 2nd day of August, 2006, between The City of Daytona Beach, Florida, a municipal corporation, organized and existing under the laws of the State of Florida, hereinafter called "the City," and Brent Millikan & Company, P.A., a professional services corporation, organized, incorporated, and existing under the laws of the State of Florida and licensed to do business in the State of Florida, with principal place of business at 205 Magnolia Street, New Smyrna Beach, Florida 32168, hereinafter called "the Firm."

WITNESSETH:

That for and in consideration of the mutual performance of the terms and conditions contained herein, the parties agree as follows:

Section 1: Scope of Audit

The City will contract for three annual audits for fiscal years ending September 30, 2006, 2007 and 2008, with a one (1) year renewal option based on a fee not to exceed a negotiated maximum amount (per year) (See Exhibit B). Additionally, for each of the years to be audited, it will be necessary for the Firm to perform certain agreed-upon procedures in conjunction with issuing a year end cost report based on the Water & Sewer Services Agreement with the City of South Daytona.

1. The funds to be audited are those included or includable in the City's CAFR. The City shall have closed, balanced and prepared a trial balance for all funds to be examined by the Firm on or about December 1st of each year. The City has primary responsibility for developing the CAFR (and all elements thereof). The Firm shall assist in finalizing the City's annual financial report, and shall include an opinion in its report regarding the City's financial statements and supplemental financial schedules. The opinion shall reference examination of the City's governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. The City shall also provide additional financial and non-financial information not subject to examination by the Firm but necessary to conform to the principles and standards of public financial reporting necessary to submit the City CAFR to the GFOA Certificate of Achievement Program.

The audit should be performed in accordance with the following as they exist or as each may be subsequently amended:

Statements on Auditing Standards (SAS)
Government Auditing Standards issued by the
Comptroller General of the United States.
OMB Circular A-133 and other applicable OMB circulars
Florida Statutes as applicable.
Regulations of the Department of Banking and Finance
State of Florida Rules of Auditor General
Audits of State and Local Governments Units (AICPA
Audit Guide revised) or other authoritative standards.

The Firm shall perform a study and evaluation of internal accounting and administrative controls as required by GAGAS. If weaknesses are noted, recommendations should be reviewed with the appropriate level of management and included in a separate letter (referred to as a Management Letter) to the City Commission.

The City has historically distributed the CAFR within 120 days of the end of the fiscal year. The Firm will include a proposed audit plan in consideration of the City's tentative audit schedule outlined in Exhibit "A" no later than September 1st for each fiscal year. The Firm will coordinate the audit with the Finance Director or his designee and will mutually endeavor to accomplish the audit in a phased basis throughout the year to reduce the year end workload on the City's Finance Department.

The Firm shall assist the City as requested by City staff in finalizing the City's Annual Financial report which shall include: 1) Management's Discussion and Analysis (MD&A). 2) Basic Financial Statements. 3) Required Supplemental Information (RSI). 4) Non-major funds combining statements. 5) Supplemental Information. 6) Statistical Tables. 7) Community Redevelopment Agency (CRA) compliance with State Statutes note disclosure.

The Firm will agree to an end of fieldwork date before December 24th and to present the CAFR to the City Commission, by the second meeting in January of each year (See Exhibit A). Additionally, the Firm should be prepared to meet with the City Manager and each City Commissioner individually prior to the public presentation to discuss and answer questions related to the CAFR.

2. For each of the years to be audited, it may be necessary for the Firm to perform certain agreed-upon procedures in conjunction with issuing a year end cost report based on the Water & Sewer Services Agreement with the City of South Daytona. (See Exhibit B).
3. The State Revolving Fund Loan. This program requires the use of the funds be audited in accordance with OMB Circular A-133. This audit should be included in the annual CAFR as part of the report on Federal and State grants. (See Exhibit B).
4. Landfill Management Escrow Account Audit. The Florida Department of Environmental Protection requires a separate audit be performed and filed by December 31ST of each year. (See Exhibit B).

A. Coordination

The Firm will coordinate their efforts and documentation request with the City's Finance Accounting Division. The City's responsibility is to prepare the work papers and assist the Firm consistent with prior years.

B. Reports

The City requires an opinion on the CAFR basic financial statements as defined in GASB Statement 34 and a separate single audit report that complies with OMB Circular A-133 for Federal and State Financial Assistance Programs.

C. General

1. Working papers are the property of the Firm and should be held for a period of five years. Working papers will be available for examination or duplication without charge to authorized City personnel, representatives of the cognizant Federal Audit Agency, The General Accounting Office, the State of Florida Auditor General or the State Board of Accountancy. The work papers will be made available for examination or duplication at a reasonable charge to subsequent auditors engaged by the City.
2. The Firm will agree to immediately notify the City if the Board of Accountancy or any other regulatory agency requests a review of the audit work papers concerning the City or any government client audited by the local office.
3. To make the Firm aware of certain additional contractual requirements, which the City will provide for in the contract, the following points are made:
 - a. Consistent with recent actions of the American Institute of Certified Public Accountants (AICPA), the City will require the inclusion of the proposed language on Continuing Professional Education (CPE) requirements, peer review and waiver of confidentiality as recommended by the AICPA.
 - b. The City traditionally includes a "key man" clause in all contracts where specific expertise (of the proposed individuals) is a selection criteria consideration. Understanding the nature of most CPA firms' promotion/resource reallocation practices, the City will reserve the right to approve the redesignation of any key team member at the on-site supervisory or higher level.
 - c. The City will only consider a fee adjustment when prior notice is given and significant change (expanded scope) can be demonstrated which will materially effect what the City should have expected the Firm to accomplish. The fee adjustment will be negotiated (with the Finance Director) and mutually agreed upon before the work is performed.
4. The Firm will provide the City with a minimum of 4 CPE hours training annually on an agreed upon topic in a workshop type class.
5. The document the Firm submits to the City will include the following supplementary information required by generally accepted accounting principles that will be subjected to certain limited procedures, but will not be audited:

- a. Management's Discussion and Analysis,
 - b. Budgetary comparison schedules, and
 - c. GASB-required supplementary pension information.
- 6. Also, the document the Firm submits to the City will include the following additional information that will be subjected to the auditing procedures applied in the Firm's audit of the financial statements upon which the Firm will provide an opinion in relation to the basic financial statements:
 - a. Schedule of expenditures of federal awards.
- 7. The document will also include the following additional information that will not be subject to the auditing procedures applied in the Firm's audit of the financial statements, and for which the Firm's auditor report will disclaim an opinion.
 - a. Statistical Section and Tables.

D. Audit Objectives

The objective of the Firm's audit is the expression of an opinion as to whether the City's 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 first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on—

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

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee (if applicable), management, 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.

The Firm's audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133, and Rules of the Auditor General of the State of Florida, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures the Firm considers necessary to enable the Firm to express such an opinion and to render the required reports. If the Firm's opinion on the financial

statements or the Single Audit compliance opinion is other than unqualified, the Firm will fully discuss the reasons with the City in advance. If, for any reason, the Firm is unable to complete the audit or is unable to form or have not formed an opinion, the Firm may decline to express an opinion or to issue a report as a result of this engagement.

E. Management Responsibilities

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

Management is responsible for making all financial records and related information available to the Firm, including any significant vendor relationships in which the vendor has the responsibility for program compliance. The Firm understands that the City will provide the Firm with such information required for the Firm's audit and that the City is responsible for the accuracy and completeness of that information. The Firm will advise the City about appropriate accounting principles and their application and will assist in the preparation of the City's financial statements, including the schedules of expenditures of federal awards and state projects, but the responsibility for the financial statements remains with the City. As part of the Firm's engagement, the Firm may propose adjusting or correcting journal entries to the City's financial statements. The City is responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting and compliance, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to the Firm in the representation letter that the effects of any uncorrected misstatements aggregated by the Firm 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.

The City is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing the Firm about all known or suspected fraud or illegal acts affecting the government 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. The City is also responsible for informing the Firm of The City's knowledge of any allegations of fraud or suspected fraud or illegal acts affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, the City is responsible for identifying and ensuring that the entity complies with applicable

laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that the Firm may report.

With regard to using the auditor's report, the City understands that they must obtain the Firm's prior written consent to reproduce or use the Firm's report in bond offering official statements or other documents. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on the City's website, the City understands that electronic sites are a means to distribute information and, therefore, the Firm is not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Additionally, as required by OMB Circular A-133, it is management's responsibility to follow-up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for the Firm's review within 60 days following the end of the prior fiscal year.

As part of the audit, the Firm may be asked to assist the City in the preparation of a draft of the City's financial statements, schedule of expenditures of federal awards and state projects, and related notes. In accordance with *Government Auditing Standards*, the City will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, the City is required to designate a qualified management-level individual to be responsible and accountable for overseeing the Firm's services.

F. Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, the Firm's audit will involve judgment about the number of transactions to be examined and the areas to be tested. The Firm 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. As required by the Single Audit Act Amendments of 1996, OMB Circular A-133, and Rules of the Auditor General, the Firm's audit will include tests of transactions related to major federal award and state financial assistance programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because an audit is designed to provide reasonable, but not absolute assurance and because the Firm 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 the Firm. 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, the Firm will inform the City of any material errors and any fraudulent financial reporting or misappropriation of assets that

comes to the Firm's attention. The Firm will also inform the City of any violations of laws or governmental regulations that come to the Firm's attention, unless clearly inconsequential. The Firm will include such matters in the reports required for a Single Audit. The Firm's responsibility as auditors is limited to the period covered by the Firm's audit and does not extend to matters that might arise during any later periods for which the Firm is not engaged as auditors.

The Firm's 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. The Firm will request written representations from the City's attorneys as part of the engagement. At the conclusion of the Firm's audit, the Firm will also require certain written representations from the City about the financial statements and related matters.

G. Audit Procedures—Internal Controls

In planning and performing the audit, the Firm will consider the existing internal controls sufficient to plan the audit in order to determine the nature, timing, and extent of the auditing procedures applied for the purpose of expressing the Firm's opinions on The City of Daytona Beach, Florida's financial statements and on its compliance with requirements applicable to major programs.

The Firm will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and the Firm will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that the Firm considers relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. The Firm's 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 the Firm's report on internal control issued pursuant to Government Auditing Standards.

As required by OMB Circular A-133, the Firm will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that the Firm considers relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program and state project. However, the Firm's tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in the Firm's report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, the Firm will inform the governing body or audit committee of any matters involving internal control and its operation that the Firm considers to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to the Firm's attention relating to significant deficiencies in the design or operation of the internal control that, in the Firm's judgment, could adversely affect the entity's

ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The Firm will also inform the City of any nonreportable conditions or other matters involving internal control, if any, as required by *Government Auditing Standards* and OMB Circular A-133.

H. Audit Procedures—Compliance

The Firm's audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, the Firm will perform tests of The City of Daytona Beach, Florida'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 the Firm will not express such an opinion in the Firm's report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that the Firm 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 agreements applicable to major programs. The Firm's procedures will consist of the applicable procedures described in the OMB Circular A-133 Compliance Supplement and Executive Office of the Governor's State Projects Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of The City of Daytona Beach, Florida's major programs. The purpose of those procedures will be to express an opinion on The City of Daytona Beach, Florida's compliance with requirements applicable to each of its major programs in the Firm's report on compliance issued pursuant to OMB Circular A-133 and Rules of the Auditor General.

I. Deliverable

1. Based upon the previously described audit procedures, the Firm will issue its report of independent certified public accountants in accordance with generally accepted auditing standards in the form (which will be the sole decision of the Firm) of either an unqualified opinion, qualified opinion, adverse opinion or a disclaimer of an opinion. Prior to issuing the report containing any modifications to an unqualified opinion, the Firm shall notify the City Manager and Finance Director of the expected modification to the report. Any additional time required to eliminate or remedy the course of the proposed modification must be separately negotiated with the Finance Director prior to any work being performed.
2. The Firm agrees to prepare a report or reports relative to its study and evaluation of the internal control structure conducted in accordance with the examination described in Section 1(G), as applicable, as follows:
 - a. Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
 - b. Management comments relating to the basic financial statements denoting any substantive weaknesses observed, an assessment of their effects on financial management and recommendations on initial steps

towards eliminating them, as required by Section 10.554(e), Rules of the Auditor General, as amended.

- c. Report on State and Federal Grants.
- d. The Firm will perform certain agreed-upon procedures in conjunction with issuing a year end cost report based on the Water & Sewer Agreement with the City of South Daytona.
- e. The Firm will prepare an audit of the Landfill Management Escrow Account in which the Florida Department of Environmental Protection requires be performed and filed by December 31 of each year.

Section 2: Audit Schedule – (Please See Exhibit A)

Section 3: Performance Specifications

1. The Firm agrees to adhere to "Generally Accepted Auditing Standards" as established by the American Institute of Certified Public Accountants (AICPA).
2. The Firm agrees to adhere to the auditing procedures as recommended in the AICPA's publication *Audits of State and Local Government Units*, as amended.
3. The Firm acknowledges that they are currently aware of Federal and State Laws applicable to municipalities.
4. The Firm agrees to conduct the audit in accordance with any requirement as may be pronounced by the State of Florida and particularly the rules and regulations of the Auditor General.
5. The Firm shall make use of the City's accounting staff to the fullest extent possible. The City's staff will respond promptly to requests for information, provide all necessary documentation and records, provide physical facilities where the Firm may work, and will provide supporting schedules and reconciliations useful to the Firm for inclusion in their working papers. Prior to the commencement of field work the Firm's and the City's staff shall meet to determine the level of assistance to be provided and specify the form and content of working papers the City's staff is to prepare. The City is responsible for the preparation, and reproduction of the audit confirmations, which will be prepared under the direct supervision of the Firm. Likewise, the City is responsible for the preparation, and reproduction of the financial report.
6. The Firm agrees to review the work and findings of the City's Internal Auditor and to use such work and findings in their audit procedures consistent with generally accepted auditing standards.
7. The City will furnish the Firm with a letter of representations at the completion of the audit. This letter covers the responsibilities for the financial statements, and representations made by the City to the Firm on such matters as completeness of minutes relating to various Commission meetings, contingent liabilities, and other

such matters as to which the Firm may not always be able to satisfy themselves by means of other auditing procedures.

8. The City's basic financial statements shall become public record upon presentation to the City Commission.
9. The Firm agrees that during the term of this Agreement, it will not directly or indirectly become associated, in any manner whatsoever, with any event, enterprise, association, contract, relationship, venture or situation of any nature which will conflict with or compromise its independence with regard to the City audit. In this regard, the Firm shall have the obligation of assessing its relationship with the City and others to determine whether, in the circumstances, it might expect its opinion to be considered independent, objective and unbiased by one who had knowledge of all the facts.
10. The working papers for this engagement are the property of the Firm and constitute confidential information. However, the Firm may be requested to make certain working papers available to the City's Cognizant or Grantor Agency(ies) pursuant to authority given to it by law or regulation. If requested, access to such working papers will be provided under the supervision of the Firm's personnel. Furthermore, upon request, the Firm may provide photocopies of selected working papers to the City's Cognizant or Grantor Agency(ies). They may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

The working papers for this engagement will be retained for a minimum of five years after the date the Firms' report is issued or for any additional period requested by the City's Cognizant Agency or equivalent. If the Firm is aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, the Firm will contact the party(ies) contesting the audit finding for guidance prior to destroying the working papers.

11. The Firm agrees to meet with the City Commission collectively or individually a minimum of two (2) times per year at the Commission's convenience.
12. As required by Government Auditing Standards, the firm has provided the City with a copy of the firm's most recent quality control review report dated November 4, 2004. The Firm understands that copies of all subsequent independent peer review reports will be provided to the City upon acceptance by the AICPA's Private Companies Practice Section.

Section 4: Fees and Terms of Payment

1. The City agrees to pay the Firm in accordance with the attached Fee Schedule (Exhibit A) for the Financial services relative to fiscal years ending September 30, 2006, 2007, and 2008 (and 2009 should the City exercise the renewal option), respectively. The amount as so determined above will not change, except for any adjustments or renegotiations required under Section 5(2) of this Agreement.

2. The Firm will render interim billings as the work progresses and the City agrees to pay the interim billings within thirty (30) calendar days after receipt.
3. All interim billings will be accompanied by an itemized statement according to City instructions. No payment will be required until an invoice and itemized statement are presented. In addition, all billings will be for actual time spent on the engagement up to the date the bill is presented to the City (no estimate billings).
4. The City agrees to pay the final billing within thirty (30) calendar days after all the following conditions have been met:
 - a. The Firm has signed the Independent Certified Public Auditors' Report;
 - b. The Firm has rendered the final Management Comments and Recommendations Letter to the City;
 - c. The Firm has presented the Basic Financial Statements to the City Commission;
 - d. The Firm has reviewed and presented its report on the City's prepared annual report required by Section 218.32 FS. with the Department of Banking and Finance;
 - e. The Firm has presented the year end cost report based on the Water & Sewer Services Agreement with the City of South Daytona to the Finance Director, if required; and
 - f. the Firm has submitted to the City a final invoice and itemized statement.

PAYMENT SCHEDULE

5. Proper Invoice

For purposes of billing submission and payment procedures, a "proper invoice" by a contractor, vendor or other invoicing party shall consist of all of the following:

- a. A description of the services provided to the City.
- b. The amount due, applicable discount(s), and the terms thereof. Amounts requested should reflect the respective percentage of completion for the engagement.
- c. Number of hours billed and hourly rate for each audit firm employee working on the engagement for the respective billing period. This shall include the number of hours by audit area.
- d. Only actual hours worked will be invoiced by the Firm.

All invoices, in order to be classified as a proper invoice, shall be delivered to the Finance Director, The City of Daytona Beach, P. O. Box 2451, Daytona Beach, Florida 32115-2451.

If unforeseen circumstances within or outside the scope of the audit are encountered or the City's records are not in substantially the same condition as the previous year, making it necessary for the Firm to do additional work in order to render its report, the Firm shall immediately notify the Finance Director of such circumstances. Such additional negotiated compensation must be approved by the City Manager for amounts less than \$25,000 or the City Commission for amounts exceeding \$25,000 at the earliest opportunity. All work will stop on the engagement until the City gives written approval for the additional services. If the additional services are not approved, the accountants' report will be in accordance with Section 1(I)(1) of the contract.

TERMS AND CONDITIONS OF AGREEMENT

The Agreement to be entered into with the Firm will include, but not be limited to, the following terms and conditions.

1. Costs specified in the proposal will remain firm for the period of the contract.
2. The Firm shall agree to indemnify and save harmless the City, its officers, agents, and employees, from and against any and all liability, claims, demands, damages, fines, fees, expenses, penalties, suits, proceedings, actions and costs of action, including attorney's fees for trial and on appeal, of any kind and nature arising or growing out of or in any way connected with the performance of the Agreement whether by act or omission of the Firm, its agents, employees or others, or because of or due to the mere existence of the Agreement between the parties.
3. An understanding and agreement, by and between the Firm and the City, that the completion time, as specified in Firm's submission, is an **ESSENTIAL CONDITION OF THE CONTRACT**. The Firm shall agree that all work shall be completed regularly, diligently, and uninterrupted at such rate of progress as will ensure full completion thereof within the time specified.

Section 5: Additional Services

1. The Firm is not required to render any information or service to individuals or to make any studies or investigations at the request of any individual, except as herein provided for.
2. Fee for Additional Services. The City may, from time to time, require additional services which will be negotiated separately for each service, but will be based on the following hourly rate range schedule applicable to the three fiscal years of the engagement.

Hourly Rate (in dollars) ⁽¹⁾

Firm Principals	\$150 to \$265
Managers	\$125 to \$145
Supervisors	\$100 to \$125
System Analysts/EDP Personnel	\$ 95 to \$150
Staff Accountants	\$ 75 to \$100
Paraprofessional Staff	\$ 45 to \$ 65

- (1) The Firm's standard hourly rates are adjusted on October 1st of each year. The hourly rates for all periods subsequent to the first year of the engagement will remain the same as included in the Firm's RFP response. All subsequent years' hourly rates will not exceed the maximum stated range amount.

The hourly rates noted above are to serve solely as a basis for separate negotiations of a not to exceed dollar amount applicable to an additional audit service that may be requested by the City.

Section 6: Non-assignable

The Firm agrees that it has been retained based on its present entity status and that this contract is not assignable without prior approval of the City.

Section 7: Required Insurance

The Firm shall purchase and maintain, at its own expense, the following types and amounts of insurance, in form and companies satisfactory to the City:

1. Workers Compensation Insurance – As required by Florida Statutes, Chapter 440, Workers' Compensation Insurance, for all employees of the Firm, employed at the site of the work or in any way connected with the work, which is the subject of this service. The insurance required by this provision shall comply fully with the Florida Workers' Compensation Law and include Employers' Liability Insurance with limits of not less than \$100,000 per occurrence. Any associated or subsidiary company involved in the service must be named in the Workers' Compensation coverage.
2. Professional Liability Insurance - Professional Liability Insurance insuring the Firm and other interest, including, but not limited to, any associated or subsidiary companies involved in the work, for errors or omissions in the performance of professional services to be rendered pursuant to this Agreement. The limit of liability of Professional Liability Insurance shall be no less than \$1,000,000.

Indemnification: The Firm shall indemnify and hold harmless the City of Daytona Beach and its agents, officers and employees from and against all claims, damages, losses, and expenses, including but not limited to attorneys' fees, arising out of or resulting from the work provided that the claim, damage, loss and expense is caused in whole or in part by any negligent act or omission of the City, the Firm, any subcontractor, anyone directly or indirectly employed by any one of them or anyone for whose acts any of them may be liable, regardless of whether or not it is caused in part by a party indemnified hereunder except the Firm shall not have to indemnify and hold harmless the City if such claim, damage, loss and expense is the result of the sole negligence of the City or of anyone directly or indirectly employed by the City or anyone for whose acts the City may be liable.

Proof of Insurance: The Firm shall furnish proof of insurance acceptable to the City prior to or at the time of execution of the agreement and the Firm shall not commence work under this agreement until he has obtained all the insurance required under this agreement and such insurance has been filed with and approved by the City, nor shall the Firm allow any subcontractor to commence work on its subcontract until similar insurance required of the subcontractor has been so obtained and approved. The

Firm shall furnish evidence of all required insurance in the form of certificates of insurance which shall clearly outline all hazards covered as itemized above, the amounts of insurance applicable to each hazard, the expiration dates, and shall contain the following language as to cancellation:

"In the event of cancellation of this policy by the insurer or any insured, this Firm shall give not less than thirty (30) days advance written notice to:

City Clerk
The City of Daytona Beach
P.O. Box 2451
Daytona Beach, Florida 32115-2451"

If requested by the City, the Firm will furnish copies of the insurance contracts to support the certificates of insurance and the copies of said insurance must be acceptable to the City.

The Firm shall file replacement certificates 30 days prior to expiration of termination of the required insurance occurring prior to the acceptance of the work by the City. In the event such insurance shall lapse, the City expressly reserves the right to renew the insurance at the Firm's expense.

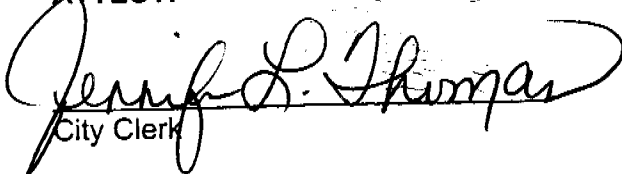
Termination of Insurance

The Firm may not cancel the insurance required by this agreement until the work is completed, accepted by the City and the Firm has received written notification from the Risk Management Division of the City that the Firm may cancel the insurance required by this agreement and the date upon which the insurance may be canceled. The Risk Management Division of the City will provide such written notification at the request of the Firm if the request is made no earlier than two weeks before the work is to be completed.

Section 8: Termination

This Agreement may be terminated by either party at any time on thirty (30) days written notice to the other party by certified mail, return receipt requested. Termination under this section must be no less than one hundred twenty (120) days prior to year end.

ATTEST:


City Clerk

APPROVED:


City Attorney

THE CITY OF DAYTONA BEACH


Mayor

BRENT MILLIKAN & COMPANY, P.A.


(Authorized Name)

EXHIBIT A

TENTATIVE AUDIT SCHEDULE FOR FISCAL 05/06

- * August 11, 2006 Initial planning meeting for fiscal audit.
- * September 18, 2006 Start interim field work, internal control evaluation and grants fieldwork.
- * November 13, 2006 -
December 15, 2006 Year end field work; initial trial balance provided to auditors.
- * December 8, 2006 First draft of financial statements provided to auditor.
- * December 19, 2006 Tentative meeting date to discuss financial statements and management letter comments.
- * December 20, 2006 Final draft of financial statements provided to auditor.
- * December 31, 2006 Completion of Landfill Management Escrow Account audit no later than December 31, 2006.
- * January 2, 2007 Auditors provide the City with 100 copies of opinions and 50 grant and management letter sections.
- * January 3, 2007 Audited Financial statements given to printing company for mass production of copies.
- * January 4, 2007 Auditor meets with the City Manager.
- * January 10, 2007 Printing company delivers 100 financial statements to City.
- * January 17, 2007 Auditor delivers report to City Commission.

EXHIBIT B
COST PROPOSAL FORM
REVISED 05-01-2006

A
AUDIT SERVICES (1)

	FISCAL YEAR			
	2006	2007	2008	2009
TOTAL PROPOSED HOURS	539	545	550	550
AVERAGE HOURLY RATE (rounded)	\$ 115	\$ 118	\$ 122	\$ 127
TOTAL PROPOSED COST "A"	\$ 62,000	\$ 64,500	\$ 67,000	\$ 69,750

(1) Audit services include OMB Circular A-133 Federal and State audits (to include annual State Revolving Loan audit, if applicable).

B
SOUTH DAYTONA ENGAGEMENT

	FISCAL YEAR			
	2006	2007	2008	2009
TOTAL PROPOSED HOURS	22	22	22	22
AVERAGE HOURLY RATE (rounded)	\$ 115	\$ 118	\$ 122	\$ 127
TOTAL PROPOSED COST "B"	\$ 2,500	\$ 2,600	\$ 2,700	\$ 2,800

C
LANDFILL MANAGEMENT AUDIT

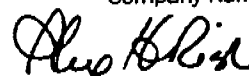
	FISCAL YEAR			
	2006	2007	2008	2009
TOTAL PROPOSED HOURS	15	15	15	15
AVERAGE HOURLY RATE (rounded)	\$ 115	\$ 118	\$ 122	\$ 127
TOTAL PROPOSED COST "C"	\$ 1,750	\$ 1,800	\$ 1,850	\$ 1,900

D
CRA AUDIT

	FISCAL YEAR			
	2006	2007	2008	2009
TOTAL PROPOSED HOURS	40	31	31	31
AVERAGE HOURLY RATE (rounded)	\$ 88	\$ 118	\$ 122	\$ 127
TOTAL PROPOSED COST "D"	\$ 3,500	\$ 3,650	\$ 3,775	\$ 3,950
TOTAL PROPOSED COSTS OF ANNUAL SERVICES (A+B+C+D)	\$ 69,750	\$ 72,550	\$ 75,325	\$ 78,400

PROPOSER:

BRENT MILLIKAN & COMPANY, P.A.
 Company Name



ALEX H. KISH, VP