

TOWN OF FORT MYERS BEACH, FLORIDA
GENERAL-PURPOSE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2002

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INDEPENDENT AUDITORS' REPORT ON GENERAL-PURPOSE FINANCIAL STATEMENTS

Honorable Mayor and Town Council
Town of Fort Myers Beach
Fort Myers Beach, Florida

We have audited the accompanying general-purpose financial statements of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the year ended September 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Fort Myers Beach, Florida, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2002, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

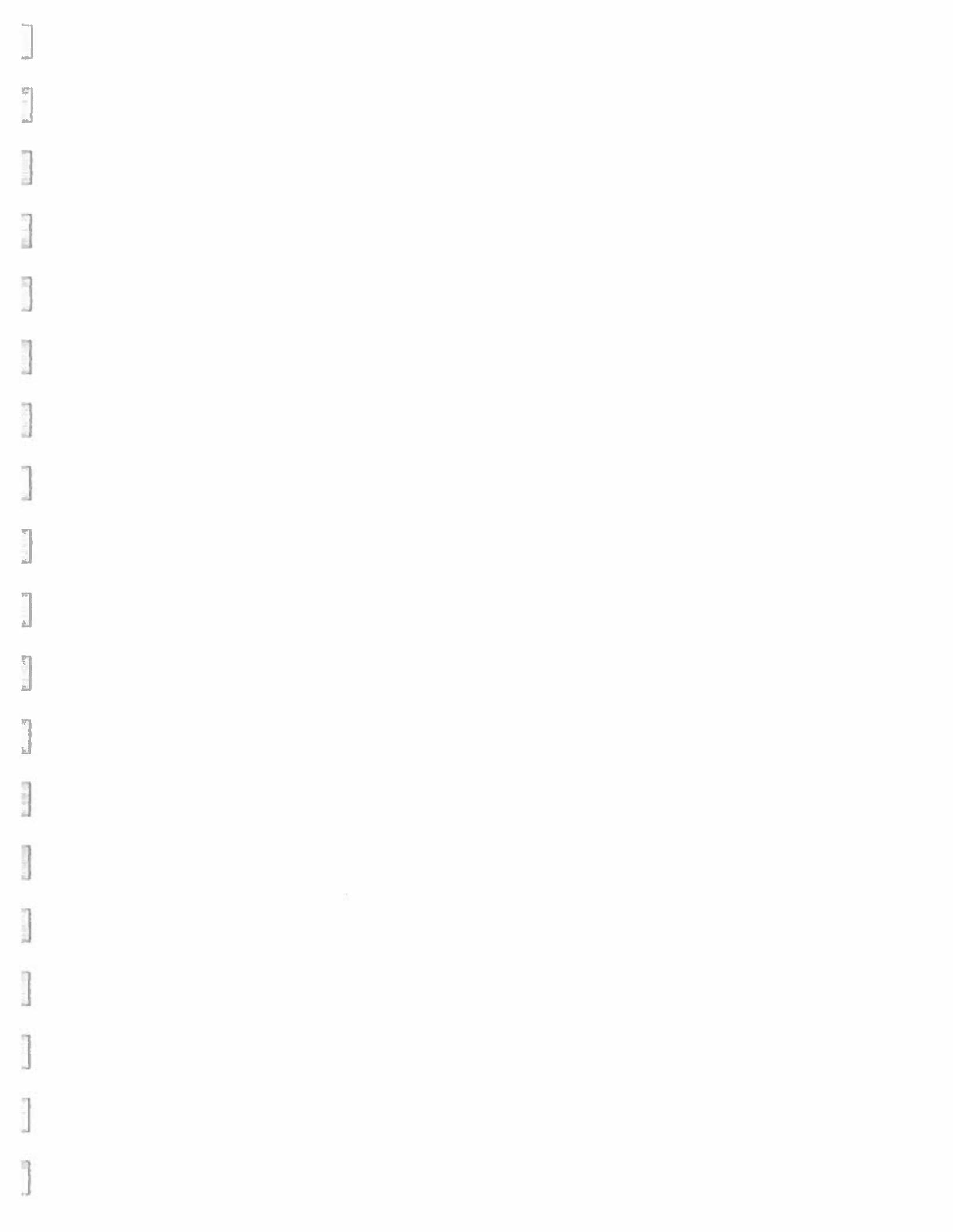
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The combining special revenue fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Town of Fort Myers Beach, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

Schultz, Chapel & Co., LLP

Schultz, Chapel & Co., L.L.P.

November 22, 2002



Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
General Fixed Assets	General Long-Term Debt	Primary Government	Public Works Services, Inc.	Reporting Entity
\$ -	\$ -	\$ 5,775,686	\$ 442,231	\$ 6,217,917
-	-	-	190,804	190,804
-	-	2,890,857	-	2,890,857
-	-	-	308,215	308,215
-	-	650,186	-	650,186
-	-	155,290	-	155,290
-	-	129,713	152,607	282,320
-	-	108,446	-	108,446
3,806,074	-	3,806,074	3,181,929	6,988,003
-	63,229	63,229	-	63,229
<u>\$ 3,806,074</u>	<u>\$ 63,229</u>	<u>\$ 13,579,481</u>	<u>\$ 4,275,786</u>	<u>\$ 17,855,267</u>

\$ -	\$ -	\$ 340,216	\$ 13,875	\$ 354,091
-	-	-	72,262	72,262
-	-	155,290	-	155,290
-	-	-	505,245	505,245
-	-	-	141,177	141,177
-	-	800,228	-	800,228
-	-	-	3,600,000	3,600,000
-	2,360	2,360	-	2,360
-	60,869	60,869	-	60,869
-	63,229	1,358,963	4,332,559	5,691,522
3,806,074	-	3,806,074	-	3,806,074
-	-	-	(56,773)	(56,773)
-	-	8,414,444	-	8,414,444
<u>3,806,074</u>	<u>-</u>	<u>12,220,518</u>	<u>(56,773)</u>	<u>12,163,745</u>
<u>\$ 3,806,074</u>	<u>\$ 63,229</u>	<u>\$ 13,579,481</u>	<u>\$ 4,275,786</u>	<u>\$ 17,855,267</u>

TOWN OF FORT MYERS BEACH
 COMBINED STATEMENT OF REVENUES , EXPENDITURES AND
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 For the Year Ended September 30, 2002

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Primary Government
REVENUES			
Taxes	\$ 2,033,857	\$ 727,393	\$ 2,761,250
Licenses and permits	13,654	14,083	27,737
Intergovernmental	800,665	68,836	869,501
Charges for services	288	41,747	42,035
Fines	23,045	-	23,045
Miscellaneous			
Special assessments/Impact fees	-	979,250	979,250
Interest	70,456	135,711	206,167
Contributions and donations	9,423	-	9,423
Settlements	-	-	-
Other	35,906	9,532	45,438
Total revenues	<u>2,987,294</u>	<u>1,976,552</u>	<u>4,963,846</u>
EXPENDITURES			
Current			
General government	1,510,917	249,307	1,760,224
Public safety	135,008	2,136	137,144
Physical environment	2,603	-	2,603
Transportation	86,033	2,693,189	2,779,222
Economic environment	99,059	5,000	104,059
Culture/Recreation	727,633	155,910	883,543
Total expenditures	<u>2,561,253</u>	<u>3,105,542</u>	<u>5,666,795</u>
Excess revenues over (under) expenditures	<u>426,041</u>	<u>(1,128,990)</u>	<u>(702,949)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	58,553	1,096,824	1,155,377
Operating transfers (out)	(154,804)	(1,000,573)	(1,155,377)
Transfer out to discretely presented component unit	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Total other financing sources (uses)	<u>(346,251)</u>	<u>96,251</u>	<u>(250,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	79,790	(1,032,739)	(952,949)
FUND BALANCES, October 1, 2001	<u>3,251,290</u>	<u>6,116,103</u>	<u>9,367,393</u>
FUND BALANCES, September 30, 2002	<u>\$ 3,331,080</u>	<u>\$ 5,083,364</u>	<u>\$ 8,414,444</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FORT MYERS BEACH
 COMBINED STATEMENT OF REVENUES , EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
 For the Year Ended September 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 2,394,059	\$ 2,761,250	\$ 367,191
Licenses and permits	20,000	27,737	7,737
Intergovernmental	2,862,877	869,501	(1,993,376)
Charges for services	42,100	42,035	(65)
Fines	10,000	23,045	13,045
Miscellaneous			
Special assessments	37,000	123,512	86,512
Impact fees	60,000	987,690	927,690
Interest	283,000	206,167	(76,833)
Contributions and donations	19,200	9,423	(9,777)
Other	152,000	45,438	(106,562)
Total revenues	<u>5,880,236</u>	<u>5,095,798</u>	<u>(784,438)</u>
EXPENDITURES			
Administrative costs	955,257	956,134	(877)
Service center	645,200	644,413	787
Parks and recreation	708,000	641,025	66,975
Capital improvements	3,010,266	2,968,602	41,664
DRA/CRA	42,181	-	42,181
LPA	130,000	129,977	23
Contractual services	379,600	326,374	53,226
Committees	19,000	270	18,730
Contingencies	928,357	-	928,357
Total expenditures	<u>6,817,861</u>	<u>5,666,795</u>	<u>1,151,066</u>
Excess of revenues (under) expenditures	(937,625)	(570,997)	(1,935,504)
FUND BALANCES, October 1, 2001	<u>2,977,625</u>	<u>9,471,478</u>	<u>6,493,853</u>
FUND BALANCES, September 30, 2002	<u>\$ 2,040,000</u>	<u>\$ 8,900,481</u>	<u>\$ 4,558,349</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FORT MYERS BEACH
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN ACCUMULATED DEFICIT
Discretely Presented Component Unit
For the year ending September 30, 2002

OPERATING REVENUE	
Water utility revenue	\$ 1,758,446
Total operating revenue	<u>1,758,446</u>
OPERATING EXPENSES	
Bulk water	1,330,582
Depreciation expense	197,906
Management fees	274,000
Repairs and maintenance	166,558
Professional services	<u>29,772</u>
Total operating expenses	<u>1,998,818</u>
Operating loss	<u>(240,372)</u>
NON-OPERATING REVENUE (EXPENSE)	
Interest income	7,324
Interest expense	<u>(144,800)</u>
Total non-operating expenses	<u>(137,476)</u>
Loss before capital contributions and transfer	(377,848)
Capital contributions - connection fees	147,508
Transfer from the Town of Fort Myers Beach	<u>250,000</u>
Net income	19,660
ACCUMULATED DEFICIT, October 1, 2001	<u>(76,433)</u>
ACCUMULATED DEFICIT, September 30, 2002	<u>\$ (56,773)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FORT MYERS BEACH
 STATEMENT OF CASH FLOWS
 Discretely Presented Component Unit
 For the Year Ended September 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss	\$ (240,372)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	197,906
Net (increase) decrease in:	
Receivables	(250,455)
Due from other governments	142,575
Net increase in:	
Accounts payable	13,875
Due to other governments	277,633
Customer deposits	18,134
Net cash provided by operating activities	<u>159,296</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Contribution received from the Town of Fort Myers Beach	<u>250,000</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Interest paid on note	(95,200)
Other interest paid	(938)
Acquisition of capital assets	<u>(81,449)</u>
Net cash used in capital and related financing activities	<u>(177,587)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>7,324</u>
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Net increase in cash	239,033
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CASH, October 1, 2001	<u>394,002</u>
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CASH, September 30, 2002 (including restricted accounts)	<u>\$ 633,035</u>
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The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Town of Fort Myers Beach, Florida (the "Town"), was incorporated pursuant to Chapter 95-494 Laws of Florida. The Town is governed by an elected five-member Town Council, and provides the following services: recreation, planning and zoning, and general and administrative services.

Governmental Accounting Standards Board (GASB) Statement Number 14, *Financial Reporting Entity* requires the financial statements of the Town (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable.

Component Units

Blended Component Unit

The Town of Fort Myers Beach Community Redevelopment Agency (CRA) is included in the Town's reporting entity because of the significance of the operational and financial relationships with the Town. This component unit has the same governing body as the Town, and is accounted for in a special revenue fund.

Discrete Component Unit

The Town of Fort Myers Beach Public Works Services, Inc. (the "Company") is a not-for-profit corporation, which provides potable water to the residents within the Town of Fort Myers Beach. The Town's Council acts as the Board of Directors of the Company. The Town of Fort Myers Beach Public Works, Inc. is reported as an enterprise fund that is a discrete component unit of the Town.

A complete financial statement of the Fort Myers Beach Public Works Service, Inc. can be obtained at:

Fort Myers Beach Public Works Services, Inc.
2523 Estero Boulevard
Fort Myers Beach, Florida 33931

Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies used in the preparation of these general-purpose financial statements.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Summary of Significant Accounting Policies (Continued)

(a) Fund accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, by type, in the financial statements. The Town uses the following fund types and account groups:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Town. It accounts for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for revenue from sources that are restricted by law for specific purposes.

Proprietary Fund Types

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Account Groups

General Fixed Assets - This account group is used to account for all fixed assets of the Town other than fixed assets accounted for in discreetly presented proprietary funds.

General Long-Term Debt - This account group is used to account for all the long-term liabilities of the Town other than amounts payable from discreetly presented proprietary funds.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Summary of Significant Accounting Policies (Continued)

(b) Measurement focus

Governmental Fund Types - The General and Special Revenue Funds are accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. Accordingly, the reported undesignated fund balances (net current assets) are considered a measure of available, spendable or appropriable resources. Governmental fund type operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary Fund Types - The discretely presented enterprise fund is accounted for on an "economic resources" measurement focus. Accordingly, all assets and liabilities are included on the balance sheet, and the reported accumulated deficit (total reported assets less total reported liabilities) provides an indication of the economic worth of the fund. Operating statements for proprietary fund types report increases (revenues) and decreases (expenses) in total economic net worth.

Account Groups - The General Long-Term Debt Account Group and the General Fixed Assets Account Group are concerned only with the measurement of financial position. Account groups are not involved with the measurement of the results of operations. Long-term obligations, which are not intended to be financed through proprietary funds, are accounted for in the General Long-Term Debt Account Group. Fixed assets, which are not used in proprietary operations, are accounted for in the General Fixed Assets Account Group.

(c) Basis of accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The general-purpose financial statements for the Governmental Fund Types have been prepared on the modified accrual basis. The modification in such method from the accrual basis is that revenue is recorded when it becomes measurable and available to finance operations of the current year. Taxpayer-assessed income, gross receipts and taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

TOWN OF FORT MYERS BEACH
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2002

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Summary of Significant Accounting Policies (Continued)

(c) Basis of accounting (Continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on general long-term debt, if any, are recognized when due; and (2) expenditures are not divided between years by the recording of prepaid expenditures.

The proprietary funds are accounted for by using the accrual basis of accounting. Under this method, revenues are recognized when they are earned; expenses are recognized when they are incurred. Pursuant to Governmental Accounting Standards Board (GASB) Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Town has elected not to apply accounting standards issued after November 30, 1989, by the Financial Accounting Standards Board.

(d) Budgets and budgetary accounting

The Town follows these procedures in establishing the legally adopted budgetary data for the general-purpose financial statements:

1. On or before July 15 of each year, the Town Manager is to submit to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution required by Town Charter and as required by the State of Florida.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles except as discussed in Note 8. The level of control whereby expenditures cannot exceed appropriations is at the fund level. No supplemental appropriations were made during the fiscal year.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Summary of Significant Accounting Policies (Continued)

(e) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not presently employed by the Town because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

(f) Cash equivalents

The Company considers highly liquid investments, including those held as restricted assets, with maturities of three months or less when purchased to be cash equivalents.

(g) Fixed assets

Fixed assets used in governmental fund types of the Town are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the Town.

The Town follows a capitalization policy that calls for the capitalization of all fixed assets that have costs of \$500 or more and useful lives in excess of one year.

Property, plant, and equipment used in proprietary fund type operations are recorded at cost, or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (Continued)**

Summary of Significant Accounting Policies (Continued)

(g) Fixed assets (Continued)

The useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Distribution lines	15
Booster stations	25

(h) Estimates

Management of the Town has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principals generally accepted in the United States of America. Actual results could differ from those estimates.

(i) Impact fees

The Town has levied impact fees on new construction within the Town. The intent of the fee is for growth within the Town to pay for capital improvements needed due to such growth. The fees are collected by Lee County and remitted to the Town. The fees are refundable if not expended within 10 years (Road Impact Fees) or 6 years (Park Impact Fees) from the date of collection. The Town, therefore, records these fees as deferred revenue until the date of expenditure at which time they are recognized as revenue.

(j) Compensated absences

Full-time employees may accumulate vacation and medical leave. The Town's policy allows employees to accumulate up to 320 hours of vacation leave. There is no limit on the number of medical leave hours an employee may accumulate. Upon separation from employment, an employee will be paid for all accumulated vacation leave (up to 320 hours) and one-half of the medical leave hours accumulated.

Vacation and medical leave that is expected to be liquidated with expendable available resources is reported as expenditure and a liability of the General Fund. Amounts not expected to be liquidated with expendable available resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Summary of Significant Accounting Policies (Continued)

(k) Long-term obligations

The Town reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the enterprise fund.

(l) Interfund transactions

The following is a description of the basic types of interfund transactions made during the year and the related accounting policy:

- Transfers of financial resources between funds are recognized in the funds affected in the period in which the interfund receivables and payables arise.
- The Town considers interfund receivables (due from other funds) and interfund liabilities (due to other funds) to be loan transactions to and from other funds to cover temporary cash needs.
- During the course of normal operations, the Town had numerous transactions between funds to provide services and construct assets. These transactions are generally reflected as operating transfers.

(m) Total columns on combined statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with accounting principles generally accepted in the United States of America. Nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF FORT MYERS BEACH
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2002

NOTE 2 - PROPERTY TAXES

Property taxes are levied after normal adoption of the Town's budget and become due and payable on November 1 of each year. Discounts are allowed for payment of property taxes before March 1 of the following year. On April 1, any unpaid taxes become delinquent. If the taxes are still unpaid in May, tax certificates are then offered for sale to the general public. The Lee County Tax Collector performs the billing and collection of all property taxes for the Town. Taxes are recognized as revenue when levied to the extent that they result in current receivables.

Key dates in the property tax cycle (latest date, where appropriate) are as follows:

- | | |
|-----------------|---|
| July 1 | ◆ Assessment roll validated |
| September 30 | ◆ Millage resolution approved and taxes levied following certificate of assessment roll |
| October 1 | ◆ Beginning of fiscal year for which tax is to be levied |
| November 1 | ◆ Property taxes due and payable (levy date) with various discount provisions through March 1 |
| April 1 | ◆ Taxes become delinquent |
| Prior to June 1 | ◆ Tax certificates sold by Lee County |

The Town Council levied ad valorem taxes at a millage rate of \$1.0961 per \$1,000 (1.0961 mils) of the 2001 net taxable value of real property located within the Town.

NOTE 3 - CASH AND INVESTMENTS

Deposits

All Town depositories are financial institutions designated by the State Treasurer as qualified public depositories. Chapter 280 of the Florida Statutes (Florida Security for Public Deposits Act) provides procedures for public deposits to insure deposits in banks and savings and loans are collateralized as public funds.

TOWN OF FORT MYERS BEACH
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2002

NOTE 3 - CASH AND INVESTMENTS (Continued)

When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Chapter 280 defines deposits as time deposit accounts, demand deposit accounts, and certificates of deposit. The carrying amount of the Town's deposits was \$5,775,686 and the bank balances totaled \$5,904,495 (including overnight repurchase agreements of \$5,348,000) as of September 30, 2002. Bank balances (excluding overnight repurchase agreements) of \$556,495 were insured or collateralized pursuant to Chapter 280. Overnight repurchase agreements are uninsured and uncollateralized. All depositories used by the Town are banks designated as qualified public depositories by the State Treasurer.

Investments

The Town is authorized to invest in the following:

- (1) Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.
- (2) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (3) Interest-bearing time deposits or savings accounts in a qualified public depository.
- (4) Direct obligations of the United States Treasury.

There were no violations to this policy during the fiscal year.

The Town's investments at September 30, 2002, consisted of deposits with the State Board of Administration Local Government Surplus Funds Trust Fund (SBA), Florida Municipal Investment Trust (FMIT) administered by the Florida League of Cities, Inc., and SunTrust Bank. The Town had \$304,539 invested with the SBA, \$62,598 with the FMIT, and \$2,523,720 with SunTrust Bank at September 30, 2002.

The SBA is an external 2a7-Like Investment Pool. The investment with the SBA is stated at amortized cost, which approximates fair value. The fair value of the position in the SBA is the same as the value of the pool shares.

TOWN OF FORT MYERS BEACH
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
 September 30, 2002

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

The Florida Municipal Investment Trust (FMIT), an intergovernmental investment pool, allows local governments to pool their surplus funds and invest in a variety of portfolios designed to achieve economies of scale and enhanced purchasing power within a framework of prudent investment parameters. The Town has placed its investment in the 1-3 year Intermediate High Quality Bond Fund. The investment with FMIT is stated at fair value.

Investments held by SunTrust are registered money market funds.

The investments listed above are not categorized for credit risk, as they are not evidenced by securities that exist in physical or book entry form.

Discrete Component Unit

Deposits

At September 30, 2002, the carrying amount and bank balance of the Company's deposits were \$633,035 and \$958,575, respectively. The bank balance includes \$667,000 held in an overnight repurchase agreement that is uninsured and uncollateralized. Of the remaining \$291,575 bank balance, \$38,770 was in excess of the federal depository insurance limits.

NOTE 4 - ACCOUNTS RECEIVABLES

Discrete Component Unit

At September 30, 2002, accounts receivable consisted of the following:

	Gross Accounts Receivable	Less Allowance for Doubtful Accounts	Net Accounts Receivable
Water	\$121,696	\$ -	\$121,696
Sewer	<u>186,519</u>	<u>-</u>	<u>186,519</u>
Total	<u>\$308,215</u>	<u>\$ -</u>	<u>\$308,215</u>

TOWN OF FORT MYERS BEACH
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
 September 30, 2002

NOTE 5 - RESTRICTED ASSETS

Discrete Component Unit

Restricted assets of the Company represent monies required being restricted for capital improvements or debt service under the terms of outstanding loan agreement and customer deposits.

The assets were restricted for the following purposes at September 30, 2002:

Debt service	\$ 52,805
Customer deposits	<u>137,999</u>
Total	<u>\$190,804</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of September 30, 2002, is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ <u>29,530</u>	\$ <u>11,071</u>
Special revenue		
Gas tax	56,098	287
CRA	-	69,375
Palmetto/Easy Street	287	45,027
Old San Carlos	69,375	-
Time square	-	<u>29,530</u>
	<u>125,760</u>	<u>144,219</u>
Total	<u>\$155,290</u>	<u>\$155,290</u>

TOWN OF FORT MYERS BEACH
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
 September 30, 2002

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The summary of changes in general fixed assets for the year ended September 30, 2002 is as follows:

	Balance October 1, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2002</u>
Land	\$1,635,131	\$ -	\$ -	\$1,635,131
Buildings	1,734,624	-	-	1,734,624
Improvements other than buildings	53,397	11,232	-	64,629
Furniture & equipment	305,757	43,146	-	348,903
Vehicles	<u>-</u>	<u>22,787</u>	<u>-</u>	<u>22,787</u>
	<u>\$3,728,909</u>	<u>\$77,165</u>	<u>\$ -</u>	<u>\$3,806,074</u>

Discrete Component Unit

Property, plant, and equipment at September 30, 2002, consisted of the following:

	Balance October 1, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2002</u>
Land	\$ 305,000	\$ -	\$ -	\$ 305,000
Computer Equipment	-	9,038	-	9,038
South Booster Station	325,030	-	-	325,030
North Booster Station	67,870	-	-	67,870
Distribution Lines	<u>2,632,355</u>	<u>72,411</u>	<u>-</u>	<u>2,704,766</u>
	3,330,255	81,449	-	3,411,704
Less: accumulated depreciation	<u>(31,868)</u>	<u>(197,907)</u>	<u>-</u>	<u>(229,775)</u>
Total	<u>\$ 3,298,387</u>	<u>\$ (116,458)</u>	<u>\$ -</u>	<u>\$ 3,181,929</u>

TOWN OF FORT MYERS BEACH
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
 September 30, 2002

NOTE 8 - DIFFERENCE BETWEEN BUDGETED AND ACTUAL RESULTS

The Town adopts budgets on a basis consistent with generally accepted accounting principles (GAAP) except as follows:

Budgetary Fund Classification (Perspective difference)	General	
Financial Statement Fund Types	<u>General Fund</u>	<u>Special Revenue Funds</u>
Excess of revenues over expenditures, Non-GAAP budgetary basis:	\$ (570,997)	\$ -
Basis difference		
Impact fees received (deferred under GAAP)	(131,952)	-
Excess of revenues over expenditures (GAAP basis)-Budgetary classifications	(702,949)	
Reclassifications and other adjustments:		
To reclassify excess of revenues over expenditures into financial statement fund types (perspective differences)	1,128,990	(1,128,990)
Excess of revenues over expenditures (GAAP basis)	\$ <u>426,041</u>	\$ <u>(1,128,990)</u>

NOTE 9 - LONG-TERM OBLIGATIONS

The following is a summary of changes in general long-term debt for the year ended September 30, 2002:

General long-term debt payable October 1, 2001	\$48,223
Payments on capital lease obligations	(6,089)
Increase in accrued compensated absences	<u>21,095</u>
General long-term debt payable at September 30, 2002	<u>\$63,229</u>

The Town is the lessee of equipment under a capital lease expiring January 15, 2003. Capital leases are defined as leases that transfer benefits and risks of ownership to the lessee. The equipment acquired through the capital lease is reported in the General Fixed Asset Account Group. The capitalized lease payable at September 30, 2002, amounted to \$2,360. The obligation is collateralized by equipment and has annual installments of \$7,080, including interest at 15.35%.

TOWN OF FORT MYERS BEACH
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
 September 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of September 30, 2002.

<u>Year Ending September 30, 2002</u>	<u>Amount</u>
Total minimum lease payments	2,360
Less: Amount representing interest	<u>77</u>
Present value of net minimum lease payments	<u>\$2,283</u>

Discrete Component Unit

Note payable at September 30, 2002, consisted of the following:

\$3,600,000 note payable to a financial institution, bearing interest at 4 percent, collateralized by a lien on and a pledge of the net revenues of the Town of Fort Myers Beach Services, Inc. Additionally, the Town of Fort Myers Beach, Florida has guaranteed the note with a pledge of its non-Ad-Valorem revenues. For the year ended September 30, 2002, the Pledged Revenue (as defined in the Loan Agreement) was insufficient to meet the required principal and interest payments due on October 1, 2002. In accordance with the terms of its guarantee, the Town of Fort Myers Beach contributed \$250,000 to the Company.

Annual Maturities of Long - Term Debt

The annual debt service requirements on the note payable at September 30, 2002, were as follows:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	180,000	140,400	320,400
2004	<u>3,420,000</u>	<u>177,120</u>	<u>3,597,120</u>
Total	<u>\$3,600,000</u>	<u>\$317,520</u>	<u>\$3,917,520</u>

TOWN OF FORT MYERS BEACH
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Loan Agreement

The loan agreement contains various covenants including such items as debt service coverage, reporting requirements, and maintenance of facilities. The Company did not meet the required debt service coverage at September 30, 2002. Management has received a waiver from the financial institution relating to the debt service coverage requirement. Management believes that it has complied, in all material respects, with the other covenants of the loan agreement.

The Company has agreed to fix, establish, and maintain such rates as will provide that annually, the net revenue of the Company will be sufficient to pay operating and maintenance expenses and the principal and interest due on the Note Payable. During the year ended September 30, 2002, the net revenue of the Company was insufficient to pay the current principal and interest due on the Note. As such, the Town of Fort Myers Beach provided the Company the funds necessary to make its payments.

NOTE 10 - DEFICIT FUND BALANCES

Palmetto/Easy Street – The current accumulated fund deficit of \$42,533 is a result of the assessments being collected over a period of ten years. The Town expects the deficit to be recovered in subsequent years when the assessments are paid.

NOTE 11 - RETIREMENT PLAN

The Town sponsors a defined contribution pension plan that covers all employees. Contributions to the Plan are based on ten percent of the employee's annual compensation. For the year ended September 30, 2002, contributions to the Plan totaled \$45,501.

NOTE 12 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town participated in a public entity risk pool administered by Florida League of Cities, Inc. for general/professional liability, automobile, property and workers compensation. The Town pays an annual premium to the Florida League of Cities, Inc. for this insurance program. Participation in this risk pool is non-assessable. There were no significant reductions in insurance coverage in any of the past three fiscal years.

The Florida League of Cities, Inc. published a financial report for the year ended September 30, 2002, which can be obtained from the Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

TOWN OF FORT MYERS BEACH
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2002

NOTE 12 - RISK MANAGEMENT (Continued)

The Town retains the risk of loss up to a deductible amount (ranging from \$0 to \$500) with the risk of loss in excess of this amount transferred to the pool with limits of liability of \$1,000,000 to \$3,000,000, per occurrence.

Discrete Component Unit

The Company is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Company participated in a public entity risk pool administered by Florida League of Cities, Inc. for general/professional liability, automobile, property and workers compensation. The Company pays an annual premium to the Florida League of Cities, Inc. for this insurance program. Participation in this risk pool is non-assessable.

The Florida League of Cities, Inc. published a financial report for the year ended September 30, 2002, which can be obtained from the Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

The Company retains the risk of loss up to a deductible amount (ranging from \$0 to \$500) with the risk of loss in excess of this amount transferred to the pool with limits of liability of \$1,000,000 to \$3,000,000, per occurrence.

NOTE 13 - LEASES

The Town leases office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$44,541 for the year ended September 30, 2002. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30, 2003</u>	<u>Amount</u>
Total	<u>\$1,333</u>

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Discrete Component Unit

On June 1, 2001, Woodard & Curran, Inc. was retained pursuant to a contract with the Company to provide for the operation and maintenance of the Company's water system. The term of the agreement is for a period of three years. Woodard & Curran, Inc. is to be compensated for actual costs (estimated to be \$274,000) plus certain adjustments and pass-through costs.

NOTE 15 - ECONOMIC DEPENDENCY

Discrete Component Unit

On August 3, 2001, a Bulk Water Agreement was entered with Lee County, Florida, to provide the Company with potable water. Lee County is currently the only source of the Company's potable water that it supplies to the residents of the Town of Fort Myers Beach. The Bulk Water Agreement is for twenty-five years. The current rate charged by Lee County is \$2.26 per 1,000 gallons, which shall remain in effect until Lee County develops a County-wide Bulk Water rate or for two years, whichever occurs first. Per the agreement, the rate will not be less than \$2.26 or more than \$2.50 per 1,000 gallons. Effective October 1, 2002, Lee County raised its rate to \$2.46 per 1,000 gallons. The Company revised its base rate effective October 1, 2002, to pass this increase on to its customers.



<u>Park Impact fee</u>	<u>Beach Nourishment</u>	<u>Palmetto/ Easy Street</u>	<u>Times Square</u>	<u>Old San Carlos</u>	<u>Totals</u>
\$ 125,223	\$ 916,102	\$ 2,207	\$ 8,856	\$ -	\$ 3,898,650
-	-	-	-	-	1,576,830
-	-	42,388	20,674	587,124	650,186
-	-	287	-	69,375	125,760
-	-	-	-	-	58,445
<u>\$ 125,223</u>	<u>\$ 916,102</u>	<u>\$ 44,882</u>	<u>\$ 29,530</u>	<u>\$ 656,499</u>	<u>\$ 6,309,871</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 282,060
-	-	45,027	29,530	-	144,219
<u>112,163</u>	<u>-</u>	<u>42,388</u>	<u>-</u>	<u>587,124</u>	<u>800,228</u>
<u>112,163</u>	<u>-</u>	<u>87,415</u>	<u>29,530</u>	<u>587,124</u>	<u>1,226,507</u>

<u>13,060</u>	<u>916,102</u>	<u>(42,533)</u>	<u>-</u>	<u>69,375</u>	<u>5,083,364</u>
<u>13,060</u>	<u>916,102</u>	<u>(42,533)</u>	<u>-</u>	<u>69,375</u>	<u>5,083,364</u>
<u>\$ 125,223</u>	<u>\$ 916,102</u>	<u>\$ 44,882</u>	<u>\$ 29,530</u>	<u>\$ 656,499</u>	<u>\$ 6,309,871</u>

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Park Impact fee	Beach Nourishment	Palmetto/ Easy Street	Times Square	Old San Carlos	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 727,393
-	-	-	14,083	-	14,083
-	-	-	-	-	68,836
-	-	-	41,747	-	41,747
24,440	-	2,325	51,812	69,375	979,250
1,976	16,742	2,000	-	-	135,711
-	-	-	-	-	-
-	-	-	-	-	9,532
<u>26,416</u>	<u>16,742</u>	<u>4,325</u>	<u>107,642</u>	<u>69,375</u>	<u>1,976,552</u>
24,702	-	-	706	-	249,307
-	-	-	-	-	2,136
-	-	-	-	-	2,693,189
-	5,000	-	-	-	5,000
-	-	-	155,910	-	155,910
<u>24,702</u>	<u>5,000</u>	<u>-</u>	<u>156,616</u>	<u>-</u>	<u>3,105,542</u>
<u>1,714</u>	<u>11,742</u>	<u>4,325</u>	<u>(48,974)</u>	<u>69,375</u>	<u>(1,128,990)</u>
-	-	-	48,974	-	1,096,824
-	-	(2,020)	-	-	(1,000,573)
-	-	(2,020)	48,974	-	96,251
1,714	11,742	2,305	-	69,375	(1,032,739)
<u>11,346</u>	<u>904,360</u>	<u>(44,838)</u>	<u>-</u>	<u>-</u>	<u>6,116,103</u>
<u>\$ 13,060</u>	<u>\$ 916,102</u>	<u>\$ (42,533)</u>	<u>\$ -</u>	<u>\$ 69,375</u>	<u>\$ 5,083,364</u>

David L. Schultz, CPA*, ABV
Clifford Chaipel, CPA*
Martin A. Redovan, CPA*, CVA
Russell T. Baker, CPA*

*Regulated by the State of Florida



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF GENERAL-PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Town Council
Town of Fort Myers Beach
Fort Myers Beach, Florida

We have audited the general-purpose financial statements of the Town of Fort Myers Beach, Florida (the "Town") as of and for the year ended September 30, 2002, and have issued our report thereon dated November 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting.

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Fort Myers, Florida 33907
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E-Mail: scc@swflcpa.com
Website: www.swflcpa.com

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town in a separate letter dated November 22, 2002.

This report is intended solely for the information and use of the Town Council and management of the Town of Fort Myers Beach, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Schultz, Chaipel & Co., LLP

Schultz, Chaipel & Co., L.L.P.
November 22, 2002

David L. Schultz, CPA*, ABV
Clifford Chaipel, CPA*
Martin A. Redovan, CPA*, CVA
Russell T. Baker, CPA*

*Regulated by the State of Florida

MANAGEMENT LETTER

Honorable Mayor and Town Council
Town of Fort Myers Beach
Fort Myers Beach, Florida

We have audited the general-purpose financial statements of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated November 22, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting dated November 22, 2002. Disclosures in this report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with provisions of Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(g)1.a.) require that we address in the management letter, if not already addressed in auditor's reports on compliance and internal controls whether or not inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, shortages, defalcations, fraud or violations of laws, rules, regulations, or contractual provisions reported in the preceding annual financial audit.

The Rules of the Auditor General (Section 10.554(1)(g)1.b.) require that we address in the management letter, if not already addressed in auditor's reports on compliance and internal controls whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit have been corrected.

The Rules of Auditor General (Section 10.554(1)(g)2.) require that we comment on whether or not the Town of Fort Myers Beach complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

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Website: www.swflcpa.com

The Rules of Auditor General (Section 10.554(1)(g)3.) require that we include any recommendations to improve the local governmental entities financial management, accounting procedures, and internal controls. Our recommendations are as follows:

CURRENT YEAR COMMENTS

Comment

The blank check stock is kept in the Finance Director's office in a locked filing cabinet. The Finance Director has a key to the cabinet. There is another key to the cabinet which is kept in an unlocked key box with all of the other Town Hall keys. Additionally, all the keys in the unlocked key box are clearly marked as to what doors or cabinets they open. The Finance Director's door is always unlocked.

Recommendation

Since the Finance Director's office is located in the front of the office where it is a high traffic area, it is recommended that the key box be kept locked. The Finance Director and the Deputy Town Manager should maintain the key to unlock the key box. This may prevent any possible theft or fraud from occurring from employees, visitors, or cleaning staff.

Comment

We noted that there is no independent review of the sequence of checks as they are being processed.

Recommendation

It is our recommendation that as the Deputy Town Manager reviews the supporting documentation and signs off on the invoices that he also reviews and signs off on the related disbursements register to ensure the sequence of the check numbers. The Deputy Town Manager should maintain a log indicating the check sequence of the disbursements registers so he can account for the check sequence used.

Comment

It was noted during our testing that there is currently no policy in place for recourse against those property owners that are not paying their monthly assessments. For example, there are two property owners with outstanding Times Square MSBU garbage assessment balances of over \$1,500 at September 30, 2002.

Recommendation

It is recommended that a formal policy be adopted to provide a method of recourse against those property owners that are habitually not making their monthly assessment payments.

Comment

The Town is not maintaining a current record of the individual assessments and payments received for the Times Square MSBU.

Recommendation

It is our recommendation that the Town maintain a spreadsheet to track each assessment and payment for all of the assessments of the Town. This will help alleviate errors that may occur such as overpayment or nonpayment on accounts that would otherwise go undetected until the year-end financial audit.

The Rules of the Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in auditor's reports on compliance and internal controls: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention, of the auditor. Our audit disclosed no such matters required to be disclosed.

The Rules of the Auditor General (Section 10.554(1)(g)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Town discloses this information in the notes to the financial statements.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.a.), the scope of our audit included a review of the provisions of Sections 218.503(1), Florida Statutes, regarding financial emergencies. We determined that the Town is not in a state of financial emergency as a consequence of the conditions described in Section 218.503, Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b.), we determined that the annual financial report of the Town for the fiscal year ended September 30, 2002, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2002.

As required by the Rules of the Auditor General (Sections 10.554(1)(g)6.c. and 10.556), we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This report is intended solely for the information and use of the Town Council, management of the Town of Fort Myers Beach and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Schultz, Chaipel & Co., LLP

Schultz, Chaipel & Co., L.L.P.

November 22, 2002

Town of Fort Myers Beach



Daniel L. Hughes
Mayor

Terry Cain
Vice-Mayor

Howard Rynearson
Seat 3

Bill Thomas
Seat 4

Bill VanDuzer
Seat 5

RESPONSE TO THE MANAGEMENT LETTER

January 2003
Schultz Chaipel & Co.
Certified Public Accountants
Fort Myers, Florida

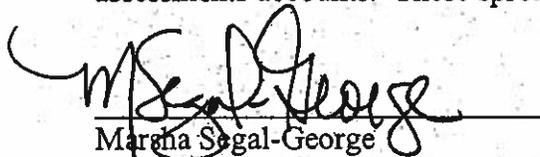
In response to the management letter regarding the audit of the financial statements of the Town of Fort Myers Beach, Florida for the twelve months ending September 30, 2002:

KEYS: This situation has been corrected by locking the Finance Director's filing cabinets and lock box each night. The Finance Director and Deputy Town Manager have the keys to the lockbox.

CHECKS: The Deputy Town Manager is now keeping a copy of the check disbursement journal and verifying that the last check written corresponds with the journals.

TIMES SQUARE MSBU: Staff will be making recommendations to the Town Council this spring requesting liens on property owners behind in their payments.

SPREADSHEETS: A spreadsheet is now kept by the Finance Director of each of the assessments accounts. These spreadsheets are updated on a monthly basis.



Marsha Segal-George
Town Manager
January 30, 2003

