

**TOWN OF FORT MYERS BEACH, FLORIDA  
GENERAL-PURPOSE FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
SEPTEMBER 30, 1999**

## TABLE OF CONTENTS

<b>INDEPENDENT AUDITORS' REPORT ON GENERAL-PURPOSE FINANCIAL STATEMENTS</b>	1 - 2
<b>GENERAL-PURPOSE FINANCIAL STATEMENTS</b>	
Combined Balance Sheet - All Governmental Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	5
Notes to General-Purpose Financial Statements	6 - 14
<b>GOVERNMENT AUDITING STANDARDS</b>	
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 <i>Government Auditing Standards</i>	15 – 16
<b>REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)</b>	17
<b>STATE GRANTS AND AIDS APPROPRIATIONS</b>	
Report of Independent Certified Public Accountants on Examination of Management's Assertion About Compliance with Specified Requirements of State Financial Assistance	18
Schedule of State Financial Assistance	19
Notes to Schedule of State Financial Assistance	20
Management Assertion Report	21
<b>MANAGEMENT LETTER</b>	22 – 24
<b>RESPONSE TO MANAGEMENT LETTER</b>	25

**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, 1999, 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 generally accepted auditing standards and *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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose 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, as of September 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The Year 2000 supplementary information on page 17 is not a required part of the general-purpose financial statements but is supplementary information required by the Government Accounting Standards Board, and we did not audit and do not express an opinion on the information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the

12660 World Plaza Lane  
Fort Myers, Florida 33907  
(941) 939-5333  
Fax: (941) 939-4682  
E-Mail: [scc@swflcpa.com](mailto:scc@swflcpa.com)

nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Town is or will become Year 2000 compliant, that the Town's remediation efforts will be successful in whole or in part, or that parties with which the Town does business are or will be Year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 1999 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Schultz, Chaipel & Co., LLP*

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

December 3, 1999

TOWN OF FORT MYERS BEACH  
 COMBINED BALANCE SHEET - ALL GOVERNMENTAL  
 FUND TYPES AND ACCOUNT GROUPS  
 September 30, 1999

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	General Fixed Assets	General Long-Term Debt	
<b>Assets and other debit</b>					
Cash	\$ 2,774,164	\$ 1,569,734	\$ -	\$ -	\$ 4,343,898
Investments	266,602	775,695	-	-	1,042,297
Due from other governments	78,561	105,211	-	-	183,772
Other assets	283	-	-	-	283
Property, plant and equipment	-	-	120,934	-	120,934
Amount to be provided for long-term debt	-	-	-	15,847	15,847
<b>Total assets and other debit</b>	<b>\$ 3,119,610</b>	<b>\$ 2,450,640</b>	<b>\$ 120,934</b>	<b>\$ 15,847</b>	<b>\$ 5,707,031</b>
<b>Liabilities, equity and other credit</b>					
<b>Liabilities</b>					
Accounts payable	\$ 72,652	\$ -	\$ -	\$ -	\$ 72,652
Accrued expenses	2,907	-	-	-	2,907
Deferred revenue	252,417	538,005	-	-	790,422
Accrued compensated absences	-	-	-	15,847	15,847
<b>Total liabilities</b>	<b>327,976</b>	<b>538,005</b>	<b>-</b>	<b>15,847</b>	<b>881,828</b>
<b>Equity and other credit</b>					
Investment in general fixed assets	-	-	120,934	-	120,934
Fund balances					
Unreserved, undesignated	2,791,634	1,912,635	-	-	4,704,269
<b>Total equity and other credit</b>	<b>2,791,634</b>	<b>1,912,635</b>	<b>120,934</b>	<b>-</b>	<b>4,825,203</b>
<b>Total liabilities, equity and other credit</b>	<b>\$ 3,119,610</b>	<b>\$ 2,450,640</b>	<b>\$ 120,934</b>	<b>\$ 15,847</b>	<b>\$ 5,707,031</b>

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 - ALL GOVERNMENTAL FUND TYPES  
 For the Year Ended September 30, 1999

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>Revenues</b>			
Taxes	\$ 1,345,295	\$ 656,099	\$ 2,001,394
Licenses and Permits	21,496	-	21,496
State Grants	60,000	-	60,000
Local Grants	36,037	-	36,037
Intergovernmental	558,848	31,525	590,373
Charges for services	52,299	-	52,299
Fines	10,287	-	10,287
Miscellaneous			
Interest	138,027	52,948	190,975
Other	2,147	9,254	11,401
Total revenues	<u>2,224,436</u>	<u>749,826</u>	<u>2,974,262</u>
<b>Expenditures</b>			
Current			
General Government	923,072	214	923,286
Public Safety	38,300	5,406	43,706
Physical Environment	18,403	-	18,403
Transportation	43,691	103,040	146,731
Economic Environment	200,764	-	200,764
Culture/Recreation	389,144	-	389,144
Total expenditures	<u>1,613,374</u>	<u>108,660</u>	<u>1,722,034</u>
Excess revenues over expenditures	<u>611,062</u>	<u>641,166</u>	<u>1,252,228</u>
<b>Other financing sources (uses)</b>			
Operating transfers in	-	13,672	13,672
Operating transfers out	(13,672)	-	(13,672)
Total other financing sources (uses)	<u>(13,672)</u>	<u>13,672</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	597,390	654,838	1,252,228
<b>Fund balances, October 1, 1998</b>	<u>2,194,244</u>	<u>1,257,797</u>	<u>3,452,041</u>
<b>Fund balances, September 30, 1999</b>	<u>\$ 2,791,634</u>	<u>\$ 1,912,635</u>	<u>\$ 4,704,269</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, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Ad Valorem Taxes	\$ 1,239,776	\$ 1,272,119	\$ 32,343
Regular Income	1,508,738	1,718,647	209,909
MSBU Income	30,000	-	(30,000)
Grant Income	1,164,500	96,037	(1,068,463)
Total revenues	<u>3,943,014</u>	<u>3,086,803</u>	<u>(856,211)</u>
<b>Expenditures</b>			
Administrative	529,731	493,667	36,064
Service Centers	407,600	284,642	122,958
Parks and Recreation	391,000	302,562	88,438
LPA	222,485	68,844	153,641
Contracts	214,600	201,270	13,330
Committees	14,000	2,645	11,355
Main Street	30,000	25,054	4,946
CRA	156,000	155,108	892
Capital Improvement Projects	4,000,000	188,243	3,811,757
Contingencies/Reserves	419,094	-	419,094
Total expenditures	<u>6,384,510</u>	<u>1,722,035</u>	<u>4,662,475</u>
Excess of revenues over (under) expenditures	(2,441,496)	1,364,768	3,806,264
<b>Fund Balances, October 1, 1998</b>	<u>3,691,496</u>	<u>3,452,261</u>	<u>(239,235)</u>
<b>Fund Balances, September 30, 1999</b>	<u>\$ 1,250,000</u>	<u>\$ 4,817,029</u>	<u>\$ 3,567,029</u>

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

TOWN OF FORT MYERS BEACH  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
September 30, 1999

**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. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so the data from these units are combined with data of the primary government. Based on the criteria established in GASB 14, the Town of Fort Myers Beach Community Redevelopment Agency (CRA) is a component unit required to be included in the Town's financial statements. The CRA is reported within the General Fund of the Town.

**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.

(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 following fund types and account groups are used by the Town:

**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.

TOWN OF FORT MYERS BEACH  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
September 30, 1999

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

**Summary of Significant Accounting Policies (Continued)**

(a) Fund accounting (Continued)

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

Account Groups

General Fixed Assets - This account group is used to account for all fixed assets of the Town.

General Long-Term Debt - This account group is used to account for all the long-term liabilities of the Town.

(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.

Account Groups - The General Fixed Assets and General Long-Term Debt Account Groups are concerned only with the measurement of financial position and are not involved with the measurement of results of operations.

(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.

TOWN OF FORT MYERS BEACH  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
September 30, 1999

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

**Summary of Significant Accounting Policies (Continued)**

**(c) Basis of accounting (Continued)**

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.

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.

**(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 that impact fees and grants are budgeted as revenue based on anticipated cash receipts.

TOWN OF FORT MYERS BEACH  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
September 30, 1999

**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) Fixed assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in Governmental Fund Types, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

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 government.

Assets in the General Fixed Assets Account Group are not depreciated. The Town follows a capitalization policy, which calls for the capitalization of all fixed assets which have costs of \$500 or more and useful lives in excess of one year.

(g) 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 six (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.

TOWN OF FORT MYERS BEACH  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
September 30, 1999

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

**Summary of Significant Accounting Policies (Continued)**

**(h) 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 an 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.

**(i) Long-term obligations**

Long-term debt is recognized as a liability of a Governmental Fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources are reported as fund liability of a Governmental Fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group.

**(j) Total columns on general-purpose financial statements**

Total columns on the general-purpose financial 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 generally accepted accounting principles. 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, 1999

**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 31 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 billing and collection of all property taxes is performed for the Town by the Lee County Tax Collector. 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 31 |
| 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 1998 net taxable value of real property located within the Town.

**NOTE 3 - CASH AND INVESTMENTS**

**Deposits**

**General**

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, 1999

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**Deposits (Continued)**

**General (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 \$4,343,898 and the bank balance of deposits insured by federal depository insurance or pursuant to Chapter 280 of the Florida Statutes was \$4,354,619 as of September 30, 1999. All depositories used by the Town are banks designated as qualified depositories by the State Treasurer.

**Investments**

The Town is authorized to invest in the following:

- (1) Local Government Surplus Funds Trust Fund (State Board of Administration investment pool);
- (2) An intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- (3) Money market mutual funds registered with the Securities and Exchange Commission and having the highest credit quality rating from a nationally recognized rating agency;
- (4) Savings accounts in, or certificates of deposit of, any bank, savings bank, or savings and loan association incorporated under the laws of this State or organized under the laws of the United States doing business and situated in this State, the accounts of which are insured by the Federal Government or an agency thereof and have been designated by the State Treasurer as a qualified depository;
- (5) Bonds, notes, or other obligations of the United States which are pledged by the full faith and credit of the United States; and
- (6) Obligations of the Federal Farm Credit Banks, Federal Home Loan Bank and its district banks, Federal Home Loan Mortgage Corporation, including participation certificates, and obligations guaranteed by the Government National Mortgage Association.

TOWN OF FORT MYERS BEACH  
 NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
 September 30, 1999

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

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

The Town's investments at September 30, 1999 consisted of deposits with the State Board of Administration Local Government Surplus Funds Trust Fund and Florida Municipal Investment Trust administered by the Florida League of Cities. These investments are reported at market value.

**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT**

The summary of changes in general fixed assets for the year ended September 30, 1999 is as follows:

	Balance October 1, 1998	Additions	Deletions	Balance September 30, 1999
Equipment	<u>\$85,167</u>	<u>\$35,767</u>	<u>\$ _____</u>	<u>\$120,934</u>

**NOTE 5 - 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	General Fund	Special Revenue Fund
Excess of revenues over expenditures, budgetary basis:	\$1,364,768	\$ -
Basis difference		
Impact fees received (deferred under GAAP)	<u>(112,540)</u>	<u>          -</u>
Excess of revenues over expenditures (GAAP basis)- Budgetary classifications	1,252,228	-
Reclassifications and other adjustments:		
To reclassify excess of revenues over expenditures into financial statement fund types (perspective differences)	<u>(654,838)</u>	<u>654,838</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 597,390</u>	<u>\$ 654,838</u>

TOWN OF FORT MYERS BEACH  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
September 30, 1999

**NOTE 6 - GENERAL LONG-TERM DEBT**

The following is a summary of changes in general long-term debt for the year ended September 30, 1999:

General long-term debt payable October 1, 1998	\$21,615
Decrease in accrued compensated absences	<u>(5,768)</u>
General long-term debt payable at September 30, 1999	<u>\$15,847</u>

**NOTE 7 - 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, 1999, contributions to the Plan totaled \$23,323.

**NOTE 8 - COMMITMENTS**

The Town leases office space under an operating lease expiring on January 31, 2001. Minimum future lease payments under this lease are \$3,516 a month. The lease includes four, one-year renewal options. Rent expense for the year ended September 30, 1999 was \$27,957.

**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, 1999, and have issued our report thereon dated December 3, 1999. We conducted our audit in accordance with generally accepted auditing standards 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.

12660 World Plaza Lane  
Fort Myers, Florida 33907  
(941) 939-5333  
Fax: (941) 939-4682  
E-Mail: [scc@swflcpa.com](mailto:scc@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 December 3, 1999.

This report is intended solely for the information and use of the Town Council and 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.

December 3, 1999

**REQUIRED SUPPLEMENTARY INFORMATION**

**(Unaudited)**

**Town of Fort Myers Beach**  
**Required Supplementary Information**

**September 30, 1999**  
**(Unaudited)**

**Year 2000**

The Town of Fort Myers Beach's office has addressed Year 2000 issues relating to its computer systems and other electronic equipment. The Year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00".

Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the Year 2000 issue could affect electronic equipment – such as environmental systems, elevators, and vehicles – containing computer chips that have date-recognition features.

During the 1998 fiscal year, management of the Town addressed the Year 2000 issue. They identified one computer system that is mission-critical (that is, critical to conducting operations) and that needs to be Year 2000 compliant. This system is the Town's internal computer network, including its financial reporting system.

As of September 30, 1999, remediation, validation and testing of the above system have been completed. The Town does not expect to incur any additional costs in addressing the Year 2000 issue.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure the Town is or will be Year 2000 ready, that the Town's remediation efforts will be successful in whole or in part, or that the parties with whom the Town does business will be Year 2000 ready.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTANTS ON EXAMINATION OF MANAGEMENT'S  
ASSERTION ABOUT COMPLIANCE WITH SPECIFIED  
REQUIREMENTS OF STATE FINANCIAL ASSISTANCE**

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

We have examined management's assertion about Town of Fort Myers Beach's (the "Town") compliance with the allowable cost requirements and other requirements established in the grant agreements applicable to the State grants and aids appropriations identified on the Schedule of State Financial Assistance for the year ended September 30, 1999, included in the accompanying management assertion report. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Town's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, management's assertion that the Town complied with the aforementioned requirements during the year ended September 30, 1999 is fairly stated in all material respects.

This report is intended solely for the information and use of the Board of Directors and management of the Town, state granting agencies, and the State of Florida Office of the Auditor General, 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.  
December 3, 1999

12660 World Plaza Lane  
Fort Myers, Florida 33907  
(941) 939-5333  
Fax: (941) 939-4682  
E-Mail: scc@swflcpa.com

**TOWN OF FORT MYERS BEACH**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Year Ended September 30, 1999

	<b>Grantor's Number</b>	<b>Federal CFDA Number</b>	<b>Award</b>	<b>State Receipts</b>	<b>Federal Through State Receipts</b>	<b>Total Receipts</b>
<b>State of Florida,</b>						
Department of Community Affairs	98-DR-1F-09-46-02-003	N/A	\$ 40,000	\$ 20,000	\$ -	\$ 20,000
Department of Community Affairs	99-DR-1F-09-46-02-001	N/A	\$ 40,000	40,000	-	40,000
			\$ 60,000	60,000	-	\$ 60,000

These awards are State Grants and Aids Appropriations.

TOWN OF FORT MYERS BEACH  
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE  
For the Year Ended September 30, 1999

**NOTE 1 - GENERAL**

The accompanying Schedule of State Financial Assistance included herein represents the activity of all state financial assistance programs of Town of Fort Myers Beach as well as federal programs passed-through the State of Florida.

**NOTE 2 - SCOPE OF AUDIT**

State grant awards have been audited in accordance with the State of Florida Rules of the Auditor General Chapter 10.600, "*Audits of State Grants and Aids Appropriations*" ("Chapter 10.600"). Federal awards passed-through the State of Florida as well as grants funded by the State of Florida are deemed susceptible to audit in accordance with the provisions of OMB Circular A-133 *Compliance Supplement* (Revised June 30, 1997) and/or Chapter 10.600. Final determination that the terms and conditions of the State of Florida grants have been complied with rests solely with the respective Florida grantor agencies.

**NOTE 3 - BASIS OF PRESENTATION**

The accompanying Schedule of State Financial Assistance includes monies received during the year ended September 30, 1999, presented using the modified accrued basis of accounting.

The information in this schedule is presented in accordance with the requirements of Chapter 10.600. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

# Town of Fort Myers Beach

---



*John Mulholland*  
Mayor

*Daniel L. Hughes*  
Vice-Mayor

*Anita Cereceda*  
Seat 3

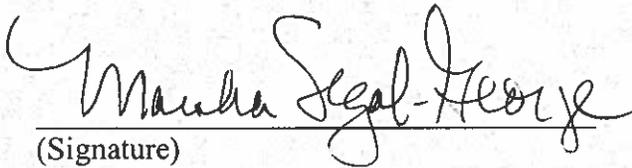
*Garr Reynolds*  
Seat 4

*Ray Murphy*  
Seat 5

December 3, 1999

## Management Assertion Report

I hereby assert that the Town of Fort Myers Beach complied with allowable cost requirements and other applicable requirements of the grants and aids appropriations identified on the accompanying Schedule of State Financial Assistance during the year ended September 30, 1999.

  
(Signature)

Town Manager  
(Title)

2/00  
(Date)



## 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 (the "Town"), whose headquarters is located in Fort Myers Beach, Florida, as of and for the fiscal year ended September 30, 1999, and have issued our report thereon dated December 3, 1999.

We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting dated December 3, 1999. Disclosures in this report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(e)1.) require that we comment as to whether or not irregularities reported in the preceding annual financial audit report have been corrected. There were no irregularities disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.554(1)(e)2.) require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been addressed by management.

As required by the Rules of the Auditor General (Section 10.554(1)(e)3.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Town of Fort Myers Beach is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

12660 World Plaza Lane  
Fort Myers, Florida 33907  
(941) 939-5333  
Fax: (941) 939-4682  
E-Mail: [scc@swflcpa.com](mailto:scc@swflcpa.com)

As required by the Rules of the Auditor General (Section 10.554(1)(e)4.), we determined that the annual financial report of the Town of Fort Myers Beach for the fiscal year ended September 30, 1999 was filed with the Department of Banking Finance pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 1999.

The Rules of Auditor General (Sections 10.554(1)(e)6.,7.,8.,9.)require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on internal control or compliance: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations and contractual provisions which may or may not materially affect the general-purpose financial statements; illegal or improper expenditures which may or may not materially affect the general-purpose financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, irregularities, shortages, and defalcations discovered by the auditor. Our audit disclosed the following matters required to be disclosed by Rules of Auditor General (Sections 10.554(1)(e)6.,7.,8.,9.).

### **CURRENT YEAR COMMENTS**

#### **Payroll**

We noted that payroll checks are being issued to Town employees before the respective pay period is over. An example is the last payroll in the fiscal year, which was issued to the employees on Monday, October 4, 1999 but actually covered through the period ending Friday, October 8, 1999. We suggest that if the payroll checks are to continue being issued on Mondays that the paycheck cover the payroll for the previous week rather than the upcoming week. This will avoid any disputes if an employee leaves unexpectedly or takes vacation or sick days for a period that has already been paid to them.

#### **Grant Files**

During our review of the grant files, we noted that the files are not kept in an organized fashion. We also found it difficult to tell whether all of the necessary paperwork had been filed for the grant as well as whether the grant had been denied or funded to the Town. It is recommended that a file index is developed for each grant file and the files are reorganized according to the index for easier review of the file.

The Rules of the Auditor General (Section 10.554(1)(e)10.) 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 general-purpose financial statements. This information is disclosed in Note 1 to the general-purpose financial statements.

This management letter is intended solely for the information and use of the Town Council and management of the Town of Fort Myers Beach, and the State of Florida Office of the Auditor General 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.

December 3, 1999

# Town of Fort Myers Beach



*John Mulholland*  
Mayor

*Daniel L. Hughes*  
Vice-Mayor

*Anita Cereceda*  
Seat 3

*Garr Reynolds*  
Seat 4

*Ray Murphy*  
Seat 5

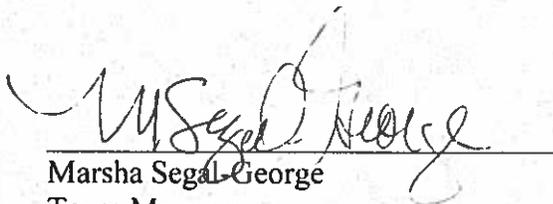
## RESPONSE TO THE MANAGEMENT LETTER

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, 1999:

**Payroll:** Town management believes that in a small office, we have found it more convenient to do payroll on a Monday, rather than on Friday when vendor payments are made. Absences can be noted on the following payroll check.

**Grant files:** Our grant files have been kept in the same fashion for the previous four years. However, during the audit process, this comment was made and the files were changed per the auditor's suggestion for their easier review of our files.

A handwritten signature in black ink, appearing to read "Marsha Segal-George", is written over a horizontal line.

Marsha Segal-George  
Town Manager  
February 10, 2000

