TOWN OF FORT MYERS BEACH, FLORIDA

GENERAL-PURPOSE FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2000

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SCHULTZ CHAIPEL & CO. L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2000, 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, Florida, as of September 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 5, 2001, 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. 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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DIVISION FOR CPA FIRMS, AICPA

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the Town of Fort Myers Beach, Florida, taken as a whole. The combining funds 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 presented in all material respects in relation to the general purpose financial statements taken as a whole.

Schultz, Chaipel & Co., LLP

Schultz, Chaipel & Co., L.L.P.
February 5, 2001

TOWN OF FORT MYERS BEACH
COMBINED BALANCE SHEET - ALL GOVERNMENTAL
FUND TYPES AND ACCOUNT GROUPS
September 30, 2000

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Cash	$ 3,161,787	$ 3,176,575	$ -
Investments	283,367	51,591	-
Special assessment receivable	-	29,822	-
Due from other funds	207,745	279,903	34,163
Due from other governments	124,662	110,467	-
Other assets	283	-	-
Property, plant and equipment	-	-	-
Amount to be provided for long-term debt	-	-	-
Total assets and other debits	$ 3,777,844	$ 3,648,358	$ 34,163
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES			
Accounts payable	$ 27,602	$ 4,218	$ 34,163
Accrued expenses	165	-	-
Due to other funds	34,040	418,961	68,810
Deferred revenue	188,783	660,254	-
Capital lease payable	-	-	-
Accrued compensated absences	-	-	-
Total liabilities	250,590	1,083,433	102,973
EQUITY AND OTHER CREDITS			
Investment in general fixed assets	-	-	-
Fund balances			
Unreserved, undesignated (deficit)	3,527,254	2,564,925	(68,810)
Total equity and other credits	3,527,254	2,564,925	(68,810)
Total liabilities, equity and other credits	$ 3,777,844	$ 3,648,358	$ 34,163

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

Account Groups		
General Fixed Assets	General Long-Term Debt	Totals (Memorandum Only)
$ -	$ -	$ 6,338,362
-	-	334,958
-	-	29,822
-	-	521,811
-	-	235,129
-	-	283
3,677,966	-	3,677,966
-	36,770	36,770
$ 3,677,966	$ 36,770	$ 11,175,101

$ -	$ -	$ 65,983
-	-	165
-	-	521,811
-	-	849,037
-	13,708	13,708
-	23,062	23,062
-	36,770	1,473,766

3,677,966	-	3,677,966
-	-	6,023,369
3,677,966	-	9,701,335
$ 3,677,966	$ 36,770	$ 11,175,101

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, 2000

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
REVENUES				
Taxes	$ 1,458,603	$ 671,308	$ -	$ 2,129,911
Licenses and permits	20,826	-	-	20,826
Intergovernmental	4,113,282	35,127	-	4,148,409
Charges for services	144,362	-	-	144,362
Fines	14,369	-	-	14,369
Miscellaneous				
Impact fees	-	171,674	-	171,674
Interest	201,947	116,320	-	318,267
Other	58,813	11,024	-	69,837
Total revenues	6,012,202	1,005,453	-	7,017,655
EXPENDITURES				
Current				
General government	1,089,617	-	-	1,089,617
Public safety	42,415	5,535	-	47,950
Physical environment	16,672	54,881	-	71,553
Transportation	44,815	171,674	102,973	319,462
Economic environment	-	7,850	-	7,850
Culture/Recreation	4,004,380	174,743	-	4,179,123
Total expenditures	5,197,899	414,683	102,973	5,715,555
Excess revenues over (under) expenditures	814,303	590,770	(102,973)	1,302,100
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	17,000	-	17,000
Operating transfers in	29,822	275,421	34,163	339,406
Operating transfers out	(275,421)	(63,985)	-	(339,406)
Total other financing sources (uses)	(245,599)	228,436	34,163	17,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	568,704	819,206	(68,810)	1,319,100
FUND BALANCES, October 1, 1999	2,791,634	1,912,635	-	4,704,269
Residual equity transfers	166,916	(166,916)	-	-
FUND BALANCES, September 30, 2000	$ 3,527,254	$ 2,564,925	$ (68,810)	$ 6,023,369

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, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	$ 2,241,727	$ 2,129,911	$ (111,816)
Licenses and permits	19,500	20,826	1,326
Intergovernmental	1,652,500	4,148,409	2,495,909
Charges for services	56,000	144,362	88,362
Fines	8,000	14,369	6,369
Miscellaneous	-	-	-
Impact fees	25,000	200,707	175,707
Interest	210,000	318,267	71,263
Other	122,200	69,837	(55,290)
Total revenues	4,334,927	7,046,688	2,671,830
Expenditures			
Administrative costs	650,557	562,300	(88,492)
Service center	507,600	352,891	(154,709)
Parks and recreation	697,400	605,997	(74,402)
Capital improvements	2,008,000	3,818,259	1,704,360
DRA/CRA	320,191	7,850	(320,191)
LPA	183,285	56,872	(126,413)
Contratual services	235,600	289,332	53,732
Committees	32,000	5,054	(26,946)
Contingencies and reserves	1,792,086	-	(1,792,086)
Total expenditures	6,426,719	5,698,555	(825,147)
Excess of revenues over (under) expenditures	(2,091,792)	1,348,133	3,496,977
Fund Balances, October 1, 1999	2,091,792	4,817,029	2,725,237
Fund Balances, September 30, 2000	$ -	$ 6,165,162	$ 6,222,214

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. 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 as a Special Revenue 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.

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

Summary of Significant Accounting Policies (Continued)

(a) Fund accounting (Continued)

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

Capital Projects Fund – The Capital Projects Fund is used to account for revenue and expenses related to capital improvements for the Town.

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, Special Revenue and Capital Projects 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.

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 as discussed in Note 6. 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) 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. No depreciation is provided 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 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 that 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 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.

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) 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.
- Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers.

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

Summary of Significant Accounting Policies (Continued)

(k) 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.

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 1999 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.

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 $6,338,362 and the bank balance of deposits insured by federal depository insurance or pursuant to Chapter 280 of the Florida Statutes was $6,362,376 as of September 30, 2000. 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.

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, 2000, consisted of deposits with the State Board of Administration Local Government Surplus Funds Trust Fund (SBA) and Florida Municipal Investment Trust (FMIT) administrated by the Florida League of Cities, Inc. The Town had $283,367 invested with the SBA and $51,591 with the FMIT at September 30, 2000.

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 investment was the same as amortized cost at September 2000. The fair value of the position in the SBA is the same as the value of the pool shares.

The SBA is under the regulatory oversight of the State of Florida. As of September 30, 2000, the SBA contained floating rate notes totaling approximately $300 million at cost. These derivative instruments, whose market value can fluctuate based on changes in interest rates, represented approximately 3 percent of total SBA investments and were purchased by the SBA to add relative value to the SBA portfolio. The Town's investment in the SBA represented .018% of the SBA's total investments.

The Florida Municipal Investment Trust (FMIvT) 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 frame-work of prudent investment parameters. The Town has placed its investment in the 1-3 year Intermediate High Quality Bond Fund. The investment with FMIvT is stated at fair value.

The State Board of Administration and the Florida Municipal Investment Trust are not categorized, as they are not evidenced by securities that exist in physical or book entry form.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of September 30, 200, is as follows:

Fund	Due From	Due To
General	$207,745	$ 34,040
Special revenue		
Gas tax	240,484	39,543
Road impact fee	5,379	171,674
CRA	-	177,680
Park impact fee	-	242
Time square	34,040	29,822
	279,903	418,961
Capital projects		
Palmetto/East Street	34,163	68,810
Total	$521,811	$521,811

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The summary of changes in general fixed assets for the year ended September 30, 2000 is as follows:

	Balance October 1, 1999	Additions	Deletions	Balance September 30, 2000
Land	$ -	$1,635,131	$ -	$1,635,131
Buildings	-	1,734,624	-	1,734,624
Improvements other than buildings	-	53,397	-	53,397
Furniture & equipment	120,934	133,880	-	254,814
Vehicles	-	-	-	-
	$120,934	$3,557,032	$ -	$3,677,966

NOTE 6 - 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	Capital Projects Fund
Excess of revenues over expenditures, budgetary basis:	$1,348,133	$ -	$ -
Basis difference			
Impact fees received (deferred under GAAP)	(29,033)	-	-
Proceeds from capital lease (not budgeted)	(17,000)	-	-
Excess of revenues over expenditures (GAAP basis)-Budgetary classifications	1,302,100	-	-
Reclassifications and other adjustments:			
To reclassify excess of revenues over expenditures into financial statement fund types (perspective differences)	(487,797)	590,770	(102,973)
Excess of revenues over (under) expenditures (GAAP basis)	$ 814,303	$590,770	$(102,973)

NOTE 7 - GENERAL LONG-TERM DEBT

The following is a summary of changes in general long-term debt for the year ended September 30, 2000:

General long-term debt payable October 1, 1999	$15,847
Increase in capital lease obligations	17,000
Payments on capital lease obligations	(3,292)
Increase in accrued compensated absences	7,215
General long-term debt payable at September 30, 2000	$36,770

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. At year-end, the equipment acquired through the capital lease was recorded in the General Fixed Asset Account Group. The capitalized lease payable at September 30, 2000, amounted to $15,658. The obligation is collateralized by equipment and has annual installments of $7,080, including interest at 15.35%.

NOTE 7 - GENERAL LONG-TERM DEBT (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, 2000.

Year Ending September 30,	Amount
2001	$ 7,080
2002	7,080
2003	2,360
Total minimum lease payments	16,520
Less: Amount representing interest	2,812
Present value of net minimum lease payments	$13,708

NOTE 8 - RESIDUAL EQUITY TRANSFERS

	Transfers In	Transfers (Out)
General	$166,916	$ -
Special revenue		
Gas tax	-	38,356
Road impact fees	38,356	-
CRA	-	169,830
Park impact fee	2,914	-
	41,270	208,186
Total	$208,186	$208,186

NOTE 9 - DEFICIT FUND BALANCES

Capital Projects – The current accumulated fund deficit of $68,810 is a result of the street project not being complete at year-end. Special assessments will be levied and the general fund will transfer funds in the next fiscal year.

CRA – The current accumulated fund deficit of $87,587 is a result of a dispute with Lee County over the Town's share of funding. The Town expects the deficit to be recovered in subsequent years.

NOTE 10 - 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, 2000, contributions to the Plan totaled $28,679.

NOTE 11 - LEASES

The Town leases office facilities and other equipment under noncancelable operating leases. Total costs for such leases were $62,282 for the year ended September 30, 2000. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	Amount
2001	$23,649
2002	15,614
2003	1,333
Total	$40,596

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, 2000, which can be obtained from the Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

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.

NOTE 13 - CONTINGENCIES

Amounts received from grant agencies are subject to audit and adjustment by grantor agencies, principally the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

TOWN OF FORT MYERS BEACH
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
September 30, 2000

	Gas Tax	Road Impact fee	CRA
ASSETS			
Cash	$ 2,210,549	$ 795,535	$ 90,093
Investments	51,591	-	-
Special assessments receivable	-	-	-
Due from other funds	240,484	5,379	-
Due from other governments	110,467	-	-
Total assets	$ 2,613,091	$ 800,914	$ 90,093
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Due to other funds	39,543	171,674	177,680
Deferred revenue	-	557,217	-
Total liabilities	39,543	728,891	177,680
EQUITY			
Fund balances			
Unreserved, undesignated (deficit)	2,573,548	72,023	(87,587)
Total equity	2,573,548	72,023	(87,587)
Total liabilities and equity	$ 2,613,091	$ 800,914	$ 90,093

Park Impact fee	Times Square	Totals
$ 80,398	$ -	$ 3,176,575
-	-	51,591
-	29,822	29,822
-	34,040	279,903
-	-	110,467
$ 80,398	$ 63,862	$ 3,648,358

$ -	$ 4,218	$ 4,218
242	29,822	418,961
73,215	29,822	660,254
73,457	63,862	1,083,433

6,941	-	2,564,925
6,941	-	2,564,925
$ 80,398	$ 63,862	$ 3,648,358

TOWN OF FORT MYERS BEACH
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2000

	Gas Tax	Road Impact fee	CRA
REVENUES			
Taxes	$ 671,308	$ -	$ -
Intergovernmental	35,127	-	-
Miscellaneous			
Impact fees	-	171,674	-
Interest	79,316	30,740	1,995
Other	8,097	2,927	-
Total revenues	793,848	205,341	1,995
EXPENDITURES			
Current			
Public safety	5,535	-	-
Physical environment	54,881	-	-
Transportation	-	171,674	-
Economic environment	-	-	7,850
Culture/Recreation	-	-	-
Total expenditures	60,416	171,674	7,850
Excess revenues over expenditures	733,432	33,667	(5,855)
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease	-	-	-
Operating transfers in	-	-	88,098
Operating transfers (out)	(34,163)	-	-
Total other financing sources (uses)	(34,163)	-	88,098
Excess of revenues and other financing sources over (under) expenditures	699,269	33,667	82,243
FUND BALANCES, October 1, 1999	1,912,635	-	-
Residual equity transfer	(38,356)	38,356	(169,830)
FUND BALANCES, September 30, 2000	$ 2,573,548	$ 72,023	$ (87,587)

Park Impact fee	Times Square	Totals
$ -	$ -	$ 671,308
-	-	35,127
-	-	171,674
4,269	-	116,320
-	-	11,024
4,269	-	1,005,453
-	-	5,535
-	-	54,881
-	-	171,674
-	-	7,850
242	174,501	174,743
242	174,501	414,683
4,027	(174,501)	590,770
-	17,000	17,000
-	187,323	275,421
-	(29,822)	(63,985)
-	174,501	228,436
4,027	-	819,206
-	-	1,912,635
2,914	-	(166,916)
$ 6,941	$ -	$ 2,564,925

SCHULTZ CHAIPEL & CO. L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2000, and have issued our report thereon dated February 5, 2001. 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.

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DIVISION FOR CPA FIRMS, AICPA

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 February 5, 2001.

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.
February 5, 2001

SCHULTZ CHAIPEL & CO. L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2000, 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, the Town complied in all material respects with the aforementioned requirements during the year ended September 30, 2000.

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.
February 5, 2001

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DIVISION FOR CPA FIRMS, AICPA

TOWN OF FORT MYERS BEACH
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2000

	Grantor's Number	Federal CFDA Number	Award	State Receipts	Federal Through State Receipts	Total Receipts
State of Florida,						
Department of Community Affairs	00-DR-1T-09-46-02-005*	N/A	$ 40,000	$ 40,000	$ -	$ 40,000
Department of Community Affairs	00-CT-5T-97-7A-J1-046*	N/A	$ 1,023,805	$ 1,023,805	$ -	$ 1,023,805

* This award is a State Grants and Aids Appropriations.

TOWN OF FORT MYERS BEACH
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2000

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, Florida, 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, 2000, 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

Daniel L. Hughes
Mayor

Ray Murphy
Vice-Mayor

Terry Cain
Seat 1

Howard Rynearson
Seat 3

Garr Reynolds
Seat 4

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, 2000.

M Sigal George
(Signature)

Town Manager
(Title)

4-5-01
(Date)

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SCHULTZ CHAIPEL & CO. L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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"), whose headquarters is located in Fort Myers Beach, Florida, as of and for the fiscal year ended September 30, 2000, and have issued our report thereon dated February 5, 2001.

We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting dated February 5, 2001. 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.a.) require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud and violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. There were none disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.554(1)(e)1.b.) 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 corrected by management.

As required by the Rules of the Auditor General (Section 10.554(1)(e)2.), 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.

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As required by the Rules of the Auditor General (Section 10.554(1)(e)3.), we determined that the annual financial report of the Town of Fort Myers Beach, Florida, for the fiscal year ended September 30, 2000 was filed with the Department of Banking and 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, 2000.

The Rules of the Auditor General (Section 10.554(1)(e)4.), require that we comment whether or not the Town complied with Section 218.415, Florida Statutes (1999), regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes (1999).

The Rules of the Auditor General (Sections 10.554(1)(e)6.,7.,8.) 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 the Auditor General (Sections 10.554(1)(e)6.,7.,8.).

CURRENT YEAR COMMENTS

Comment

The listing of general fixed assets maintained did not reflect all of the purchases of capital assets in the current year. Most of the assets that were not input on the Town's records were pool complex assets. The Town is aware of the omission and has historically "caught up" the records after audit.

Since inception, the Town has purchased relatively few general fixed assets. Due to the value and number of general fixed assets maintained there has not been a priority for a complex reporting system.

Recommendation

In light of the continued growth experienced by the Town, we recommend that the Town review its financial reporting and accounting system for general fixed assets. The Town could use the Rules of the Auditor General, Section 10.400 as a guide. The Rules of the Auditor General are not required to by followed by municipalities. However, they do provide an excellent system of internal controls for general fixed assets.

Comment

The Town, since inception, has invested surplus funds in several different authorized investments to earn a safe and reasonable return. The Town currently invests surplus funds in the State Board of Administration (SBA), the Florida Municipal Investment Trust, administered by the Florida League of Cities, (FMIT) and certificates of deposit with local financial institutions. During the fiscal year ended September 30, 2000, the Town utilized certificates of deposit with local institutions for the majority of its idle funds.

Recommendation

As mentioned in the previous comment, the Town has grown substantially in the past year. This growth has increased the amount of surplus funds and the time required to invest them. Because of the growth, we believe that the Town should review its current investment and cash management policy and consider updating it to reflect the current growth and changes in economic trends. We understand that our suggestion will require the Town's staff to spend more time managing and reporting the status of the surplus funds. Given the increase in surplus funds, we believe that the time is right to expend those resources to protect the funds available for investment and increase the rate of return.

Comment

The internal accounting and financial reporting system in use by the Town has operated virtually unchanged since the Town's inception. The Town's Office Manager handles virtually every aspect of accounting and financial reporting. Originally the procedures in place were established due to the limits of available staff and the size of the Town's operation.

The Town has encountered substantial growth during the current fiscal year. The number and complexity of financial transactions has increased significantly. Because of the growth and the complexity of new financial transactions the accounting records at September 30, 2000 required more adjustments then the previous year. Substantial time and effort was expended at year-end to gather information to evaluate the general ledger postings.

Recommendation

We recommend that the Town reevaluate its financial accounting and reporting systems in light of the substantial growth in volume and complexity of transactions. Due to the same growth issues, we also suggest that the Town consider a review of the adequacy of its computer accounting software.

Comment

During our audit we noted that the voucher packages relating to impact fee disbursements did not have specific written documentation attached to the disbursement check. Impact fee funds may be spent for certain authorized purposes. The Town has obtained expert opinions that the funds expended fulfilled the intent of the impact ordinance.

Recommendation

Due to the strict reporting requirements associated with impact fee funds we recommend that the specific written authorization be attached to the voucher package for disbursements of impact fee funds. While it is not necessary to have a written legal opinion for each disbursement the voucher package should contain written support for the disbursement.

Changes in the Government Reporting Model

After years of study and consideration of the needs of users of government financial statements, the Governmental Accounting Standards Board (GASB) issued its revolutionary new reporting model in June 1999. The new model dramatically changes the presentation of governments' external financial statements. In the GASB's view, the objective of the new model is to enhance the clarity and usefulness of government financial statements to the citizenry, oversight bodies, investors and creditors. It will substantially affect the Town's financial data accumulation and financial statement presentation processes. Some of the key aspects of the changes follow:

Management's Discussion and Analysis (MD&A) - *A* comprehensive MD&A will now be included as required supplementary information. The MD&A will introduce the financial statements by presenting an analysis of the government's financial performance for the year and its financial position at year-end. The MD&A will be *in addition* to the transmittal letter currently required for Government Finance Officers Association (GFOA) award candidates, but we expect that the GFOA will make changes in their requirements so as to avoid any duplication between the two documents.

Statement of Activities - Governments will now be required to use a "net program cost" format for the government-wide statements instead of a traditional operating statement. This new format groups revenues and expenses by functional categories (such as public safety, public works, etc.). The purpose of the new statement is to inform readers about the cost of specific functions and the extent to which they are financed with program revenues or general revenues of the government. Governments will have the option of reporting both direct and indirect program costs. Depreciation expense will now generally be reflected as a cost in the statement of activities.

Fund Level Reporting - Fund level financial statements will still be required and will provide information about the Town's fund types, including fiduciary funds. General capital assets and general long-term liabilities will only be reported at the government-wide level. Fund level reporting will continue to focus on fiscal accountability and reflect the flows and balances of current financial resources. The modified accrual basis of accounting will continue to be used at the fund level, except for proprietary and fiduciary funds which would continue reporting based on economic resources and the accrual method of accounting.

Presentation of Budgetary Information - The standard requires budgetary statements for the general fund and certain other governmental funds as required supplementary information. The original adopted budget of the Town as well as the final revised budget must be presented. Actual results on a budgetary basis will need to be reconciled to the GAAP (generally accepted accounting principles) basis on the face of the statements.

The effective date of the new pronouncement will require implementation by the Town for its year ending September 30, 2004. The magnitude of these changes and the time required to prepare for implementation should not be underestimated. We recommend that the Town begin to look at its systems and processes to ensure that the required information will be available to ensure timely implementation. Further, we recommend that the Town consider the cost of required changes to its systems and processes to ensure availability of necessary funds in its upcoming budget.

GASB has permitted a "phased implementation" of this Statement based on a government's total annual revenues, defined as all revenues (not other financing sources) of the primary government's governmental and proprietary funds as well as those of its non-fiduciary component units, as follows:

Total Annual Revenues	Implementation Date
$100,000,000 or greater	Periods beginning after June *15, 2001*
Between $10,000,000 and $100,000,000	Periods beginning after June *15, 2002*
Less than $ 10,000,000	Periods beginning after June *15, 2003*

The Rules of the Auditor General (Section 10.554(1)(e)9.) 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, Florida, 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.
February 5, 2001

Town of Fort Myers Beach

Daniel L. Hughes
Mayor

Ray Murphy
Vice-Mayor

Terry Cain
Seat 1

Howard Rynearson
Seat 3

Garr Reynolds
Seat 4

RESPONSE TO THE MANAGEMENT LETTER

April 2001
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, 2000:

FIXED ASSETS: Because of the limited size of Town assets, the Office Manager/Accounts Supervisor has been aware of the current inventory of Town assets and has kept an up to date spreadsheet of the inventory. This list has also been made available at the Town Council's request. In the future, an annual audit of fixed assets will be done using the accounting software package.

INVESTMENTS: It is hoped that indication by Council to hire additional staff will offset some of the daily fiscal operations and we intend to undertake a comprehensive review of our investment and cash management policies in order to attempt to exceed the expectations of council in the future.

ACCOUNTING SOFTWARE: Town management is researching the suggestion of reviewing the Town's accounting software and is working with Schultz Chaipel & Co. on available governmental accounting software. It is our hope to have the software installed for the next fiscal year.

IMPACT FEES: Town Management feels that the information given in previous impact fee disbursements has fulfilled the intent of the impact fee ordinance. However, in the future, the suggestion of specific written authorization in the voucher package will be followed.

M. Segal-George

Marsha Segal-George
Town Manager
April 16, 2001

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