

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

**AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 1998**

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**INDEPENDENT AUDITORS' REPORT ON
GENERAL-PURPOSE FINANCIAL STATEMENTS**

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

We have audited the accompanying general-purpose financial statements of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the year ended September 30, 1998, 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosures of certain matters regarding the year 2000 issue in order for financial statements to be prepared in accordance with generally accepted accounting principles. Such required disclosures include:

- Any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant.
- A general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant.
- The additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

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The Town has omitted such disclosures. We do not provide assurance that the Town is, or will be, year 2000 ready, that the Town's year 2000 redemption efforts will be successful in whole or in part, or that parties with which the Town does business will be year 2000 ready.

In our opinion, except for the omission of the information discussed in the preceding paragraph, 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, 1998, 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 December 17, 1998 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 17, 1998

TOWN OF FORT MYERS BEACH
 COMBINED BALANCE SHEET - ALL GOVERNMENTAL
 FUND TYPES AND ACCOUNT GROUPS
 September 30, 1998

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	General Fixed Assets	General Long-Term Debt	
Assets and other debit					
Cash	\$ 2,176,963	\$ 826,003	\$ -	\$ -	\$ 3,002,966
Investments	253,467	769,624	-	-	1,023,091
Due from other governments	32,585	100,458	-	-	133,043
Due from other funds	3,576	-	-	-	3,576
Other assets	283	-	-	-	283
Property, Plant and Equipment	-	-	85,167	-	85,167
Amount to be provided for long-term debt	-	-	-	21,615	21,615
Total assets and other debit	\$ 2,466,874	\$ 1,696,085	\$ 85,167	\$ 21,615	\$ 4,269,741
Liabilities, equity and other credit					
Liabilities:					
Accounts payable	\$ 25,561	\$ -	\$ -	\$ -	\$ 25,561
Accrued expenses	4,138	-	-	-	4,138
Due to other funds	-	3,576	-	-	3,576
Deferred revenue	242,931	434,712	-	-	677,643
Accrued compensated absences	-	-	-	21,615	21,615
Total liabilities	272,630	438,288	-	21,615	732,533
Equity and other credit					
Investment in general fixed assets	-	-	85,167	-	85,167
Fund balances					
Unreserved, undesignated	2,194,244	1,257,797	-	-	3,452,041
Total equity and other credit	2,194,244	1,257,797	85,167	-	3,537,208
Total liabilities, equity and other credit	\$ 2,466,874	\$ 1,696,085	\$ 85,167	\$ 21,615	\$ 4,269,741

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, 1998**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues			
Taxes	\$ 1,296,433	\$ 624,115	\$ 1,920,548
Licenses and Permits	21,509	-	21,509
State Grants	34,097	-	34,097
Local Grants	14,135	-	14,135
Intergovernmental	542,354	27,915	570,269
Charges for services	26,121	-	26,121
Miscellaneous			
Interest	113,860	73,735	187,595
Other	88,501	6,816	95,317
Total revenues	<u>2,137,010</u>	<u>732,581</u>	<u>2,869,591</u>
Expenditures			
Current			
General Government	839,118	116	839,234
Public Safety	18,657	3,604	22,261
Physical Environment	6,331	-	6,331
Transportation	39,692	43,076	82,768
Economic Environment	103,647	-	103,647
Culture/Recreation	246,635	-	246,635
Debt service			
Interest	5,610	-	5,610
Total expenditures	<u>1,259,690</u>	<u>46,796</u>	<u>1,306,486</u>
Excess revenues over expenditures	877,320	685,785	1,563,105
Fund balances, October 1, 1997	<u>1,316,924</u>	<u>572,012</u>	<u>1,888,936</u>
Fund balances, September 30, 1998	<u>\$ 2,194,244</u>	<u>\$ 1,257,797</u>	<u>\$ 3,452,041</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) - ALL GOVERNMENTAL FUND TYPES
 For the Year Ended September 30, 1998

	General Fund (Non-GAAP)			Special Revenue Fund (Non-GAAP)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 1,237,118	\$ 1,296,433	\$ 59,315	\$ 606,000	\$ 624,115	\$ 18,115
Licenses and Permits	21,910	21,509	(401)	-	-	-
State Grants	30,000	222,880	192,880	-	-	-
Local Grants	215,000	14,135	(200,865)	-	-	-
Intergovernmental	482,036	542,354	60,318	30,000	27,915	(2,085)
Charges for services	28,816	26,121	(2,695)	-	-	-
Miscellaneous						
Interest	100,000	113,860	13,860	30,000	73,735	43,735
Impact Fees	44,682	54,148	9,466	380,389	434,712	54,323
Other	83,661	88,501	4,840	-	6,816	6,816
Total revenues	<u>2,243,223</u>	<u>2,379,941</u>	<u>136,718</u>	<u>1,046,389</u>	<u>1,167,293</u>	<u>120,904</u>
Expenditures						
Current						
General Government	989,435	839,118	150,317	140	116	24
Public Safety	29,750	18,657	11,093	3,604	3,604	-
Physical Environment	6,400	6,331	69	-	-	-
Transportation	43,550	39,692	3,858	47,390	43,076	4,314
Economic Environment	123,634	103,647	19,987	-	-	-
Culture/Recreation	286,795	246,635	40,160	-	-	-
Debt service						
Interest	5,610	5,610	-	-	-	-
Total expenditures	<u>1,485,174</u>	<u>1,259,690</u>	<u>225,484</u>	<u>51,134</u>	<u>46,796</u>	<u>4,338</u>
Excess revenues over expenditures	758,049	1,120,251	362,202	995,255	1,120,497	125,242
Fund balances, October 1, 1997	<u>-</u>	<u>1,316,924</u>	<u>-</u>	<u>-</u>	<u>572,012</u>	<u>-</u>
Fund balances, September 30, 1998	<u>\$ 758,049</u>	<u>\$ 2,437,175</u>	<u>\$ 362,202</u>	<u>\$ 995,255</u>	<u>\$ 1,692,509</u>	<u>\$ 125,242</u>

The accompanying notes are an integral part of these financial statements

TOWN OF FORT MYERS BEACH
NOTES TO FINANCIAL STATEMENTS
September 30, 1998

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. Based on the criteria established in GASB 14, there are no potential component units required to be included in the Town's financial statements.

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 an account group, 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 FINANCIAL STATEMENTS
September 30, 1998

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

Summary of Significant Accounting Policies (Continued)

(a) Fund accounting (Continued)

Special Revenue Funds - 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 FINANCIAL STATEMENTS
September 30, 1998

**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 FINANCIAL STATEMENTS
September 30, 1998

**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 FINANCIAL STATEMENTS
September 30, 1998

**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 FINANCIAL STATEMENTS
September 30, 1998

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 1997 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 FINANCIAL STATEMENTS
September 30, 1998

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 \$3,002,966 and the bank balance of deposits insured by federal depository insurance or pursuant to Chapter 280 of the Florida Statutes was \$3,051,469 as of September 30, 1998. 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 FINANCIAL STATEMENTS
 September 30, 1998

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, 1998 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, 1998 is as follows:

	Balance October 1, <u>1997</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>1998</u>
Equipment	<u>\$37,506</u>	<u>\$47,661</u>	<u>\$ -</u>	<u>\$85,167</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:

The following adjustments were necessary to present the actual data on a budgetary basis:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Excess of revenues over expenditures, GAAP basis:	\$ 877,320	\$ 685,785
Basis difference		
Impact fees received (deferred under GAAP)	54,148	434,712
State tourism grant received (deferred under GAAP)	<u>188,783</u>	<u>-</u>
Excess of revenues over expenditures, budgetary Basis:	<u>\$1,120,251</u>	<u>\$1,120,497</u>

TOWN OF FORT MYERS BEACH
NOTES TO FINANCIAL STATEMENTS
September 30, 1998

NOTE 6 - GENERAL LONG-TERM DEBT

The following is a summary of changes in general long-term debt for the year ended September 30, 1998:

General long-term debt payable October 1, 1997	\$ -
Increase in accrued compensated absences	<u>21,615</u>
General long-term debt payable at September 30, 1998	<u>\$21,615</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, 1998, contributions to the Plan totaled \$16,496.

NOTE 8 - COMMITMENTS

The Town leases its office space under an operating lease expiring on January 31, 2000. Minimum future lease payments under this lease are \$2,330 a month. Rent expense for the year ended September 30, 1998 was \$23,638.

**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, 1998, and have issued our report thereon dated December 17, 1998, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. 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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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 17, 1998.

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 17, 1998

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

To the Town Council
Town of Fort Myers Beach

We have examined management's assertion about Town of Fort Myers Beach's 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, 1998, included in the accompanying management assertion report. Management is responsible for Town of Fort Myers Beach's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Town of Fort Myers Beach'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 of Fort Myers Beach'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 of Fort Myers Beach's compliance with specified requirements.

In our opinion, management's assertion that the Town of Fort Myers Beach complied with the aforementioned requirements during the year ended September 30, 1998 is fairly stated in all material respects.

Schultz, Chaipel & Co., LLP

Schultz, Chaipel & Co., L.L.P.
December 17, 1998

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TOWN OF FORT MYERS BEACH
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 1998

	Grantor's Number	Federal CFDA Number	Award	Federal		Total
				State Receipts	Through State Receipts	
State of Florida, Department of Community Affairs	98-1F-09-46-02-003	N/A	\$ 40,000	\$ 20,000	\$ -	\$ 20,000
State of Florida, Office of the Governor Office of Trade, Tourism and Economic Development	None	N/A	\$ 200,000	200,000	-	200,000
			\$ 220,000	\$ 220,000	\$ -	\$ 220,000

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, 1998**

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, 1998, presented using the cash 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



Ray Murphy
Mayor

John Mulholland
Vice-Mayor

Daniel L. Hughes
Seat 2

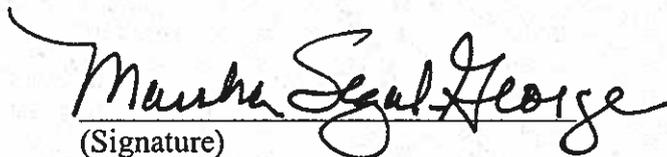
Anita Cereceda
Seat 3

Garr Reynolds
Seat 4

December 17, 1998

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, 1998.


(Signature)

Town Manager

2/11/99
(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, 1998, and have issued our report thereon dated December 17, 1998.

We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting dated December 17, 1998. 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 corrected.

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, nothing came to our attention that caused us to believe 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

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, 1998 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, 1998.

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

Our review of personnel files indicated that only 2 (out of 6) employees had the appropriate supporting documentation establishing their identity and that they were eligible to work (i.e. Fla. Driver's License and Social Security card or equivalents per I-9). There were no completed I-9s in the files. The U.S. Department of Justice requires that each employee have a Form I-9 completed. It is recommended that a Form I-9 be completed for each employee and the documentation required by the I-9 be obtained. This information should be maintained in the employee's personnel file.

Purchased items

We noted that not all invoices, packing slips, etc. are signed and dated by Town personnel at the time that goods are received indicating the receipt of the goods and that they were received in good condition. It is recommended that when an item is received, the person responsible for ordering and receiving the merchandise should sign and date the invoice when received.

Vacation and Sick Leave

In March 1998, the Town Council approved the *Personnel Rules and Regulations* (the "Rules"). These Rules include a policy regarding the payment of accrued vacation and sick leave upon the separation of employment with the Town. It also provides for an employee to "cash in" 80 hours of accrued vacation leave upon approval of the Town Manager. Currently, the Town's policies do not require the use of time and attendance records by its employees. The Office Manager is tracking accrued and used vacation and sick leave based on discussions at staff meetings or reliance on the office's informal calendar.

To avoid disputes regarding accrued leave time, especially when there is a separation of service, we recommend that attendance records be maintained.

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. The Town was established by a special act of the Legislature of the State of Florida (Laws of Florida, Chapter 63-1558).

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 17, 1998

Town of Fort Myers Beach



Ray Murphy
Mayor

John Mulholland
Vice-Mayor

Daniel L. Hughes
Seat 2

Anita Cereceda
Seat 3

Garr Reynolds
Seat 4

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, 1998:

Payroll: All current employees have now filled out a Form I-9 and have submitted the necessary documentation to support it. All future employees will be required to fill out an I-9 and submit documentation at the time of employment.

Purchased items: Town staff has been instructed to sign and date all invoices or packing slips when they receive items.

Vacation and Sick Leave: Town management believes that requiring time and attendance records by its employees is unnecessary and burdensome for a staff of five persons. The Office Manager/Accounts Supervisor makes note of employee absences, and those absences are tracked on the employee's paycheck.

Marsha Segal-George
Town Manager
February 16, 1999

