

RESOLUTION NUMBER 08-03  
RESOLUTION OF THE TOWN OF FORT MYERS BEACH  
ACCEPTANCE OF BASIC FINANCIAL STATEMENTS AND  
AUDIT FOR FISCAL YEAR 2006-2007

WHEREAS, the Town Council of Fort Myers Beach has convened in public meeting on January 7, 2008, following proper notice as required by Florida Statute; and

WHEREAS, the Town Council has reviewed the Basic Financial Statements and audit for FY 2006 (fiscal year 2006-2007) which had been previously provided.

IT IS HEREBY RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF FORT MYERS BEACH, FLORIDA AS FOLLOWS:

SECTION ONE: Authority. This Resolution is enacted pursuant to the provisions of Chapter 95-494, Laws of Florida, Chapter 166, Florida Statutes, and other applicable provisions of law.

SECTION TWO: Town Manager's Responsibility. The Town Manager of the Town of Fort Myers Beach has presented the Basic Financial Statements and Audit for the fiscal year 2006-2007.

SECTION THREE: Acceptance of Audit. The Town of Fort Myers Beach hereby accepts the Basic Financial Statements and Audit for the fiscal year 2006-2007. Said audit is attached hereto as Exhibit "A" and hereby incorporated by reference.

SECTION FOUR: Severability. If any one of the provisions of this resolution should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such provision shall be null and void and shall be deemed separate from the remaining provisions of this resolution, and in no way affect the validity of all other provisions of this resolution.

SECTION FIVE: Effective Date. This resolution is effective immediately upon adoption.

The FOREGOING RESOLUTION WAS ADOPTED ON THE 7<sup>TH</sup> DAY OF JANUARY, 2008, upon a motion by Councilmember Meador, seconded by Councilmember Shenko. Upon being put to a vote, the result was as follows:

Dennis C. Boback, Mayor                    aye  
Herb Acken                                        aye  
William Shenko, Jr.                           aye

Larry Kiker, Vice Mayor aye  
Charles R. Meador, Jr. aye

THE TOWN OF FORT MYERS BEACH

By: *Dennis C. Boback*  
Dennis C. Boback, Mayor

ATTESTED TO:

By: *Michelle Mayher*  
Michelle Mayher, Town Clerk

Approved as to legal sufficiency:

By: *Anne Dalton*  
Anne Dalton, Esquire



**TOWN OF FORT MYERS BEACH, FLORIDA**

**BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
SEPTEMBER 30, 2006**

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\*Regulated by the State of Florida



## INDEPENDENT AUDITORS' REPORT

To the Council Members  
Town of Fort Myers Beach  
Fort Myers Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Myers Beach, Florida (the "Town") as of and for the year ended September 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Fort Myers Beach Public Works Service, Inc., a component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General fund, Gas Tax fund, CRA fund, Old San Carlos MSBU fund, Beach Access fund and FEMA fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2007 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplemental financial information as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplemental financial information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Schultz, Chaipel, Redovan, Baker & Co., LLP*

Schultz, Chaipel, Redovan, Baker & Co., LLP  
September 28, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Town of Fort Myers Beach's financial statements is intended to provide a narrative introduction to the basic financial statements and an analytical overview of the Town's financial activities for the fiscal year ending September 30, 2006.

Since the Management's Discussions and Analysis is designed to focus on the current year's activities, resulting changes, and current known facts, please read it in conjunction with the Town's financial statements.

### **FINANCIAL HIGHLIGHTS**

- At September 30, 2006, the assets of the Town of Fort Myers Beach exceeded its liabilities by \$18,281,784 (net assets). Of this amount, \$11,023,185 of unrestricted net assets may be used to meet the Town's ongoing obligations.
- The Town's total net assets increased by \$1,085,830.
- The Town of Fort Myers Beach's governmental funds reported combined ending fund balances of \$8,500,704 as of September 30, 2006. This is an increase of \$219,069 over the September 30, 2005 ending fund balances.

### **USING THE BASIC FINANCIAL STATEMENTS**

These basic financial statements consist of a series of financial statements.

#### **Government-wide Financial Statements**

The Statement of Net Assets (page 11) and the Statement of Activities (page 12) provide information about the activities of the Town as a whole. The Government-wide Financial Statements separate governmental from business-type activities but both are measured and reported on a full accrual basis using the economic resources measurement focus.

The Statement of Net Assets' purpose is to be used as an indicator of the improvement of the financial position of the Town. Net assets are the difference between the Town's assets and liabilities.

The Statement of Activities presents information showing how the Town's net assets changed during the 2006 fiscal year. The statement reflects the expenses of a given function or segment, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes are reported under general revenue.

Both of these financial statements distinguish primary types of functions of the Town as follows:

- Governmental activities – Most of the Town's primary functions are reported here, including culture/recreation, public works, streets and roads, planning and zoning, and general and administrative services. Major revenues supporting these activities are ad valorem taxes, gas taxes, communications services taxes, and intergovernmental revenues.

- **Business-type activities** – This column includes Public Works Services, a blended component unit which is used to account for the operation of the water system. The services are supported from user fees.

## **Fund Financial Statements**

The Fund Financial Statements, which report by fund type, begin on page 13. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore, you will find the reconciliation on pages 13 and 15 that converts this data to an economic resources measurement focus and the accrual basis of accounting for use in the Government-wide Financial Statements. The Fund Financial Statements present information in more detail than the Government-wide Financial Statements.

The Town's major funds are presented in separate columns on the Fund Financial Statements. The funds that do not meet this criterion of a major fund are considered non-major funds and are combined into a single column, "Other Governmental Funds" on the Fund Financial Statements. The Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental reporting model.

A fund is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories:

1. **Governmental funds** – account for most of the Town's tax-supported activities. Examples are the General Fund and the Gas Tax funds. These funds focus on how money flows into and out of the funds, and the balances left at year-end. The accounting method used is called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash, within a sixty-day period. The two criteria used are that the revenue is measurable and available.
2. **Proprietary funds** – are used to account for the business-type activities of the government. The Town's proprietary fund includes Public Works Services, a blended component unit. The proprietary fund uses full accrual basis accounting and the economic measurement focus. Fees or charges are the primary revenue service for the proprietary fund.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes can be found beginning on page 25.

## AN OVERVIEW OF THE TOWN

### GOVERNMENT-WIDE STATEMENTS

The Government-wide Financial Statements were designed so that the user can determine if the City is in a better or worse financial condition from the prior year. The City's overall financial position has improved over the prior year.

#### Summary of Net Assets

The following table reflects a summary of Net Assets for the fiscal years September 30, 2006 and 2005.

Town of Fort Myers Beach, Florida  
Summary of Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Current and other assets	\$ 9,413,852	\$ 9,137,824	\$ 3,304,876	\$ 2,961,078	\$ 12,718,728	\$ 12,098,902
Capital assets	<u>7,849,222</u>	<u>7,527,509</u>	<u>2,469,377</u>	<u>2,637,469</u>	<u>10,318,599</u>	<u>10,164,978</u>
Total assets	<u>17,263,074</u>	<u>16,665,333</u>	<u>5,774,253</u>	<u>5,598,547</u>	<u>23,037,327</u>	<u>22,263,880</u>
Current and other liabilities	547,466	542,249	1,096,687	1,200,482	1,644,153	1,742,731
Noncurrent liabilities	<u>51,390</u>	<u>85,194</u>	<u>3,060,000</u>	<u>3,240,000</u>	<u>3,111,390</u>	<u>3,325,194</u>
Total liabilities	<u>\$ 598,856</u>	<u>\$ 627,443</u>	<u>\$ 4,156,687</u>	<u>\$ 4,440,482</u>	<u>\$ 4,755,543</u>	<u>\$ 5,067,925</u>
Net assets:						
Invested in capital assets,						
net of related debt	7,849,222	7,527,509	(590,623)	(782,531)	7,258,599	6,744,978
Restricted	-	-	-	227,809	-	227,809
Unrestricted	<u>8,814,996</u>	<u>8,510,381</u>	<u>2,208,189</u>	<u>1,712,787</u>	<u>11,023,185</u>	<u>10,223,168</u>
Total net assets	<u>\$ 16,664,218</u>	<u>\$ 16,037,890</u>	<u>\$ 1,617,566</u>	<u>\$ 1,158,065</u>	<u>\$ 18,281,784</u>	<u>\$ 17,195,955</u>

Net assets of \$7,258,599 or 40% represent the amount invested in capital assets, less the outstanding debt used to acquire those assets. The 2006 balance reflects an increase of \$513,621 or 8% over 2005. The Town uses these assets to provide services to its citizens and therefore, these assets are not available for future spending. It should also be noted that other resources will be required to repay the outstanding debt on capital assets. This balance represents resources that are subject to external restriction on how they may be used. The Town's largest portion of net assets, 60%, is unrestricted. These net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

## Summary of Changes in Net Assets

The following table compares revenues and expenses for the current fiscal year and the previous fiscal year.

Town of Fort Myers Beach  
Summary of Changes in Net Assets

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 564,117	\$ 616,840	\$ 2,235,730	\$ 2,083,149	\$ 2,799,847	\$ 2,699,989
Operating grants and contributions	1,234,887	886,630	-	-	1,234,887	886,630
Capital grants and contributions	117,650	189,123	149,646	54,219	267,296	243,342
<b>General revenues</b>						
Property taxes	2,182,835	2,171,502	-	-	2,182,835	2,171,502
Gas taxes	489,823	399,842	-	-	489,823	399,842
Franchise fees	97,111	50,667	-	-	97,111	50,667
Communications services taxes	597,049	603,707	-	-	597,049	603,707
Intergovernmental & Impact fees	1,113,594	1,505,001	-	-	1,113,594	1,505,001
Investment earnings	372,075	240,254	125,735	26,617	497,810	266,871
Miscellaneous	106,792	120,117	-	10,562	106,792	130,679
Total revenues	<u>6,875,933</u>	<u>6,783,683</u>	<u>2,511,111</u>	<u>2,174,547</u>	<u>9,387,044</u>	<u>8,958,230</u>
<b>Expenses:</b>						
<b>Program expenses</b>						
<b>Governmental Activities</b>						
General government	3,047,086	2,693,024	-	-	3,047,086	2,693,024
Public safety	732,176	620,120	-	-	732,176	620,120
Physical environment	32,666	29,957	-	-	32,666	29,957
Transportation	1,038,083	1,365,010	-	-	1,038,083	1,365,010
Economic environment	205,674	639,448	-	-	205,674	639,448
Culture/recreation	1,193,919	1,238,227	-	-	1,193,919	1,238,227
Interest on long term debt	-	1,357	-	-	-	1,357
<b>Business-type activities</b>						
Water Utility	-	-	2,051,611	1,811,357	2,051,611	1,811,357
Total expenses	<u>6,249,604</u>	<u>6,587,143</u>	<u>2,051,611</u>	<u>1,811,357</u>	<u>8,301,215</u>	<u>8,398,500</u>
Increase (decrease) in net assets	626,328	196,540	459,500	363,190	1,085,829	559,730
Net assets - beginning	<u>16,037,890</u>	<u>15,841,350</u>	<u>1,158,065</u>	<u>794,875</u>	<u>17,195,955</u>	<u>16,636,225</u>
Net assets - ending	<u>\$ 16,664,218</u>	<u>\$ 16,037,890</u>	<u>\$ 1,617,565</u>	<u>\$ 1,158,065</u>	<u>\$ 18,281,784</u>	<u>\$ 17,195,955</u>

Total revenues increased \$ 428,814 or 5 % in comparison to the prior year. Total expenses decreased by \$97,285 or 1.3 % in comparison to the prior year.

**Governmental Activities**

The table below presents the cost of the Town’s larger programs as well as each program’s net cost (total cost less program revenues), generated by the activities. The net cost represents the portion of each program that is supported by various taxes.

The cost of all governmental activities this fiscal year was \$6.2 million, as compared to \$6.6 million for fiscal 2005. As shown in the Statement of Activities (page 12), the net cost ultimately paid through taxes and other available resources was \$4.3 million for 2006 as compared to \$4.9 million for 2005. The remaining \$2.0 million was provided by:

- Approximately \$564,000 in charges for services of which there was approximately \$129,000 in revenue from fines and forfeitures, approximately \$300,000 from parking facilities revenues, with the remainder from various fees for general government services.
- Approximately \$1.2 million in operating grants and contributions. These grants included Mound House grants
- \$117,650 in capital grants and contributions.

	<i>Total cost of services</i>		<i>Net cost (earnings) of services</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Public safety	\$ 732,176	\$ 620,120	\$ 161,167	\$ (380,359)
Physical environment	32,666	29,957	(32,666)	(29,957)
Transportation	1,038,083	1,365,010	(701,604)	(898,235)
Economic environment	205,674	639,448	(48,924)	36,172
Culture/recreation	1,193,919	1,238,226	(697,488)	(1,012,806)
General government	<u>3,047,086</u>	<u>2,693,024</u>	<u>(3,013,435)</u>	<u>(2,608,008)</u>
Totals	<u>\$ 6,249,604</u>	<u>\$ 6,585,785</u>	<u>\$ (4,332,950)</u>	<u>\$ (4,893,193)</u>

**Business-type Activities**

Revenues of the Town’s business-type activities totaled \$2,511,111 and \$2,174,547 for 2006 and 2005, respectively. Operating expenses totaled \$2,051,611 and \$1,811,357 for 2006 and 2005, respectively. The increase in net assets was \$459,500 and \$363,190 for 2006 and 2005, respectively.

**FINANCIAL ANALYSIS OF THE TOWN’S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Funds**

Governmental funds are comprised of the general fund and special revenue funds. Governmental funds use the current financial resources measurement focus that provides information on the near-term inflows, outflows, and balances of available resources.

The *General Fund* is the chief operating fund of the Town. It is used to account for all financial resources, except those to be accounted for in another fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,882,741. During the current fiscal year, the fund balance of the Town's General fund decreased by \$507,576. The key factor for this decrease is an increase in operating transfers to other funds. These transfers address the remaining portion of un-reimbursed expenditures for Hurricane Charley and Hurricane Wilma.

The *Gas Tax Fund* is used to account for gas taxes and other resources dedicated to road related projects. This fund has a total fund balance of \$2,485,777, all of which is dedicated for road improvements. This fund balance decreased \$125,643 in 2006 as a result transportation related expenses in the amount of \$735,752.

The *CRA Fund* is used to account for the tax increment factor levied on the benefiting properties within the defined district and the use of such funds. The CRA has a deficit fund balance of \$99,181.

The *Old San Carlos MSBU Fund* is used to account for the special assessment levied on benefited property owners for improvements constructed by the Town. This fund has a total fund balance deficit of \$155,759 as compared to 2005 deficit of \$199,158. The Town expects the deficit to be recovered in subsequent years when the assessments are paid.

The *Beach Access Fund* program activities provide maintenance of the Beach. These activities are funded by grants and parking revenue. The Beach Access Fund has a fund balance of \$113,344.

The *FEMA Fund* is used to account for debris removal, repairs and improvements to the Town as a result of Hurricane Charley. As of 9/30/2005, this fund had a total deficit of \$553,198. An operating transfer from the General Fund was made to account for certain expenses which are not eligible for reimbursement by Federal Emergency Management Agency or the Federal Highway Administration. Expenses not eligible for reimbursement are ultimately the responsibility of the Town.

All other governmental funds are accounted for in the column entitled *Other Governmental Funds*.

## **Proprietary Funds**

The Town's proprietary fund is used to account for activities for which a fee is charged to external users for services. This fund provides the same type of information found in the Governmental-wide Financial Statements, but in more detail.

**BUDGETARY HIGHLIGHTS**

The difference between the General fund’s final budget and actual amounts equaled a \$564,192 decrease in total revenues. The actual expenditures were less than the final budgeted amount by \$3,099,040. The resulting excess of revenues over expenditures was \$164,173.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The following table provides a comparative summary of capital assets (net of accumulated depreciation) by category.

Town of Fort Myers Beach  
Capital Assets  
(net of depreciation)

	Governmental Activities		Business- type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 4,235,748	\$ 4,235,748	\$ 305,000	\$ 305,000	\$ 4,540,748	\$ 4,540,748
Buildings & leasehold improvements	1,844,697	1,880,883	-	-	\$ 1,844,697	\$ 1,880,883
Improvements other than buildings	42,722	49,663	2,164,377	2,326,904	2,207,099	2,376,567
Office furniture and equipment	73,280	74,313	-	5,565	73,280	79,878
Vehicles and other equipment	219,780	193,751	-	-	219,780	193,751
Infrastructure	924,728	851,129	-	-	924,728	851,129
Construction in progress	508,267	242,022	-	-	508,267	242,022
Total capital assets	<u>\$ 7,849,222</u>	<u>\$ 7,527,509</u>	<u>\$ 2,469,377</u>	<u>\$ 2,637,469</u>	<u>\$ 10,318,599</u>	<u>\$ 10,164,978</u>

Additional information on the Town’s capital assets can be found in Note 8 to the financial statements.

**Long-term Liabilities**

As of September 30, 2006 and 2005, the Town had \$3,111,390 and \$3,514,137, respectively, in a note payable, capital lease, and compensated absences. The following table provides a breakdown:

Town of Fort Myers Beach  
Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Note payable	\$ -	\$ -	\$ 3,060,000	3,420,000	\$ 3,060,000	\$ 3,420,000
Capital lease	-	8,943	-	-	-	8,943
Compensated absences	51,390	85,194	-	-	51,390	85,194
Total long-term liabilities	<u>\$ 51,390</u>	<u>\$ 94,137</u>	<u>\$ 3,060,000</u>	<u>\$ 3,420,000</u>	<u>\$ 3,111,390</u>	<u>\$ 3,514,137</u>

Additional information on the Town's long-term debt can be found in Note 9 to the financial statements.

### ***ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGET***

The State of Florida operates primarily using sales, gasoline and corporate income tax. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, communication services, etc.) and fees (franchise, occupational licensing, impact, etc.) for their governmental activities. There are a number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

The following factors were considered in preparing the Town's budget for the 2006 fiscal year.

- Approximately \$1.6 million has been budgeted for road and drainage projects
- Anticipated expenditures on the Newton Park project and Mound House are \$888,000
- The 2007 budget includes \$1,490,000 for the new Town Hall Project

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Fort Myers Beach's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Fort Myers Beach, 2523 Estero Boulevard, Fort Myers Beach, Florida 33931.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF NET ASSETS  
September 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,228,221	\$ 2,715,252	\$ 6,943,473
Investments	4,138,459	-	4,138,459
Due from other governments	647,337	126,928	774,265
Accounts receivable	-	317,988	317,988
Special assessments receivable	362,500	-	362,500
Prepaid expenses	25,205	-	25,205
Internal balances	12,130	(12,130)	-
Restricted cash	-	154,255	154,255
Unamortized debt issuance costs	-	2,583	2,583
Capital assets (net of accumulated depreciation):			
Land	4,235,748	305,000	4,540,748
Buildings and leasehold improvements	1,844,697	-	1,844,697
Improvements other than buildings	42,722	2,137,653	2,180,375
Office furniture and equipment	73,280	26,724	100,004
Vehicles and other equipment	219,780	-	219,780
Infrastructure	924,728	-	924,728
Construction in progress	508,267	-	508,267
Total assets	<u>17,263,074</u>	<u>5,774,253</u>	<u>23,037,327</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	547,466	93,551	641,017
Customer refunds payable	-	222,140	222,140
Due to other governments	-	626,741	626,741
Liabilities payable from restricted assets - customer deposits	-	154,255	154,255
Long-term liabilities:			
Due within one year	-	180,000	180,000
Due in more than one year	51,390	2,880,000	2,931,390
Total liabilities	<u>598,856</u>	<u>4,156,687</u>	<u>4,755,543</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,849,222	(590,623)	7,258,599
Unrestricted	8,814,996	2,208,189	11,023,185
Total net assets	<u>\$ 16,664,218</u>	<u>\$ 1,617,566</u>	<u>\$ 18,281,784</u>

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Governmental Activities	Business-type Activities
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 3,047,086	\$ 33,651	\$ -	\$ (3,013,435)	\$ -	\$ (3,013,435)
Public safety	732,176	-	893,343	161,167	-	161,167
Physical environment	32,666	-	-	(32,666)	-	(32,666)
Transportation	1,038,083	336,479	-	(701,604)	-	(701,604)
Economic environment	205,674	-	156,750	(48,924)	-	(48,924)
Culture/Recreation	1,193,919	193,987	184,794	(697,488)	-	(697,488)
Total governmental activities	6,249,605	564,117	1,234,887	(4,332,951)	-	(4,332,951)
<b>Business-type activities:</b>						
Water	2,051,613	2,235,730	-	-	333,766	333,766
Total primary government	\$ 8,301,218	\$ 2,799,847	\$ 1,234,887	\$ (4,332,951)	\$ 333,766	\$ (3,999,185)
<b>General revenues:</b>						
Property taxes, levied for general purposes				2,182,835	-	2,182,835
Gas taxes				489,823	-	489,823
Franchise fees				97,111	-	97,111
Communications services taxes				597,049	-	597,049
Intergovernmental revenues, not restricted to specific programs				893,030	-	893,030
Impact fees				220,564	-	220,564
Investment earnings				372,075	125,735	497,810
Miscellaneous				106,792	-	106,792
Total general revenues				4,959,279	125,735	5,085,014
Change in net assets				626,328	459,501	1,085,829
Net assets - beginning				16,037,890	1,158,065	17,195,955
Net assets - ending				\$ 16,664,218	\$ 1,617,566	\$ 18,281,784

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2006

	General	Gas Tax	CRA	Old San Carlos MSBU	Beach Access	FEMA	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,336,796	\$ 979,791	\$ 398,499	\$ -	\$ 507,325	\$ 175,337	\$ 830,473	\$ 4,228,221
Investments	1,957,437	1,185,094	-	-	-	-	995,928	4,138,459
Special assessments and other receivables	274	-	1,332	279,381	-	-	81,513	362,500
Prepaid expenses	25,205	-	-	-	-	-	-	25,205
Due from other funds	572,571	293,614	155,759	-	-	-	149,406	1,171,350
Due from other governments	288,182	38,214	-	-	-	93,239	227,702	647,337
Total assets	<u>\$ 4,180,465</u>	<u>\$ 2,496,713</u>	<u>\$ 555,590</u>	<u>\$ 279,381</u>	<u>\$ 507,325</u>	<u>\$ 268,576</u>	<u>\$ 2,285,022</u>	<u>\$ 10,573,072</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Account payable and accrued liabilities	\$ 131,435	\$ 10,936	\$ 398,130	\$ -	\$ -	\$ -	\$ 6,965	\$ 547,466
Due to other funds	166,289	-	256,641	155,759	393,981	-	186,550	1,159,220
Deferred revenue	-	-	-	279,381	-	64,444	21,857	365,682
Total liabilities	<u>297,724</u>	<u>10,936</u>	<u>654,771</u>	<u>435,140</u>	<u>393,981</u>	<u>64,444</u>	<u>215,372</u>	<u>2,072,368</u>
Fund balances:								
Unreserved, reported in:								
General fund	3,882,741	-	-	-	-	-	-	3,882,741
Special revenue funds	-	2,485,777	(99,181)	(155,759)	113,344	204,132	2,069,650	4,617,963
Total fund balances (deficit)	<u>3,882,741</u>	<u>2,485,777</u>	<u>(99,181)</u>	<u>(155,759)</u>	<u>113,344</u>	<u>204,132</u>	<u>2,069,650</u>	<u>8,500,704</u>
Total liabilities and fund balances	<u>\$ 4,180,465</u>	<u>\$ 2,496,713</u>	<u>\$ 555,590</u>	<u>\$ 279,381</u>	<u>\$ 507,325</u>	<u>\$ 268,576</u>	<u>\$ 2,285,022</u>	<u>\$ 10,573,072</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Fund balance totals:	\$ 8,500,704
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	8,683,899
Accumulated depreciation	<u>(834,677)</u>
	7,849,222
Revenues that are not available to pay for current period expenditures are deferred in the funds.	365,682
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	<u>(51,390)</u>
	<u>(51,390)</u>
Net assets of governmental activities	<u>\$ 16,664,218</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended September 30, 2006

	General	Gas Tax	CRA	Old San Carlos MSBU	Beach Access	FEMA	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
Taxes								
Property	\$ 2,182,835	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,182,835
Gas	-	489,823	-	-	-	-	-	489,823
Franchise	97,111	-	-	-	-	-	-	97,111
Communications services	597,049	-	-	-	-	-	-	597,049
Licenses and permits	33,651	-	2,780	-	-	-	17,068	53,499
Intergovernmental revenues	1,204,770	22,000	-	-	119,076	701,724	127,175	2,174,745
Charges for services	207,246	-	-	-	95,795	-	-	303,041
Fines and forfeitures	129,233	-	-	-	40,203	-	-	169,436
Miscellaneous								
Special assessments/Impact fees	-	-	2,688	33,428	-	-	284,968	321,084
Interest	157,391	100,140	22,790	9,971	18,137	-	63,646	372,075
Other	71,870	566	-	-	-	-	-	72,436
<b>Total revenues</b>	<b>4,681,156</b>	<b>612,529</b>	<b>28,258</b>	<b>43,399</b>	<b>273,211</b>	<b>701,724</b>	<b>492,857</b>	<b>6,833,134</b>
<b>EXPENDITURES</b>								
Current								
General government	2,890,174	-	233,980	-	-	-	112	3,124,266
Public safety	94,965	2,420	-	-	-	451,594	183,197	732,176
Physical Environment	32,666	-	-	-	-	-	-	32,666
Transportation	304,723	735,752	136,000	-	-	-	-	1,176,475
Economic environment	212,185	-	-	-	-	-	-	212,185
Culture/Recreation	982,270	-	15,709	-	194,230	-	135,145	1,327,354
Debt service								
Principal retirement	8,943	-	-	-	-	-	-	8,943
<b>Total expenditures</b>	<b>4,525,926</b>	<b>738,172</b>	<b>385,689</b>	<b>-</b>	<b>194,230</b>	<b>451,594</b>	<b>318,454</b>	<b>6,614,065</b>
Excess (deficiency) of revenues over (under) expenditures	155,230	(125,643)	(357,431)	43,399	78,981	250,130	174,403	219,069
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfer in	-	-	-	-	-	507,200	155,606	662,806
Operating transfers out	(662,806)	-	-	-	-	-	-	(662,806)
<b>Total other financing sources (uses)</b>	<b>(662,806)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>507,200</b>	<b>155,606</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(507,576)</b>	<b>(125,643)</b>	<b>(357,431)</b>	<b>43,399</b>	<b>78,981</b>	<b>757,330</b>	<b>330,009</b>	<b>219,069</b>
Fund balances (deficit), October 1, 2005	4,390,317	2,611,420	258,250	(199,158)	34,363	(553,198)	1,739,641	8,281,635
Fund balances (deficit), September 30, 2006	\$ 3,882,741	\$ 2,485,777	\$ (99,181)	\$ (155,759)	\$ 113,344	\$ 204,132	\$ 2,069,650	\$ 8,500,704

TOWN OF FORT MYERS BEACH, FLORIDA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
 STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended September 30, 2006

Net change in Fund balances - total governmental funds		\$ 219,069
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital Outlay	\$ 509,772	
Depreciation	<u>(188,059)</u>	321,713
<p>The issuance of long-term debt (e.g. capital lease obligations) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Principal payments		8,943
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		42,799
<p>In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount represents the decrease in the accrual of compensated absences at 9/30/06 from 9/30/05.</p>		
		<u>33,804</u>
Change in net assets of governmental activities		<u>\$ 626,328</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
For the Fiscal Year Ended September 30, 2006

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 2,144,480	\$ 2,144,480	\$ 2,182,835	\$ 38,355
Franchise taxes	69,000	69,000	97,111	28,111
Communications services tax	614,800	614,800	597,049	(17,751)
Licenses and permits	16,500	16,500	33,651	17,151
Intergovernmental revenues	1,642,068	1,642,068	1,204,770	(437,298)
Charges for services	638,000	638,000	207,246	(430,754)
Fines and forfeitures	25,000	25,000	129,233	104,233
Miscellaneous				
Interest	87,500	87,500	157,391	69,891
Other	8,000	8,000	71,870	63,870
Total revenues	<u>5,245,348</u>	<u>5,245,348</u>	<u>4,681,156</u>	<u>(564,192)</u>
<b>Expenditures</b>				
Current				
General government	3,903,523	3,903,523	2,890,174	1,013,349
Public safety	77,000	77,000	94,965	(17,965)
Physical environment	920,000	920,000	32,666	887,334
Transportation	460,000	460,000	304,723	155,277
Economic environment	388,000	388,000	212,185	175,815
Culture/Recreation	1,867,500	1,867,500	982,270	885,230
Debt service				
Principal retirement	-	-	8,943	(8,943)
Total expenditures	<u>7,616,023</u>	<u>7,616,023</u>	<u>4,525,926</u>	<u>3,090,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,370,675)</u>	<u>(2,370,675)</u>	<u>155,230</u>	<u>2,525,905</u>
<b>Other financing sources (uses)</b>				
Operating transfers out	-	-	(662,806)	(662,806)
Reserves	1,500,000	1,500,000	-	(1,500,000)
Total other financing sources (uses)	<u>1,500,000</u>	<u>1,500,000</u>	<u>(662,806)</u>	<u>(2,162,806)</u>
Net change in fund balances	<u>\$ (870,675)</u>	<u>\$ (870,675)</u>	<u>\$ (507,576)</u>	<u>\$ 363,099</u>

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GAS TAX  
For the Fiscal Year Ended September 30, 2006

	Budgets		Actual	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues				
Taxes				
Gas taxes	\$ 665,000	\$ 665,000	\$ 489,823	\$ (175,177)
Intergovernmental	318,000	318,000	22,000	(296,000)
Miscellaneous				
Interest	62,500	62,500	100,140	37,640
Other	10,000	10,000	566	(9,434)
Total revenues	<u>1,055,500</u>	<u>1,055,500</u>	<u>612,529</u>	<u>(442,971)</u>
Expenditures				
Current				
Public safety	25,000	25,000	2,420	22,580
Transportation	2,539,000	2,539,000	735,752	1,803,248
Total expenditures	<u>2,564,000</u>	<u>2,564,000</u>	<u>738,172</u>	<u>1,825,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,508,500)</u>	<u>\$ (1,508,500)</u>	<u>\$ (125,643)</u>	<u>\$ 1,382,857</u>

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
CRA  
For the Fiscal Year Ended September 30, 2006

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ -	\$ -	\$ 2,780	\$ 2,780
Miscellaneous				
Special assessments	73,800	73,800	2,688	(71,112)
Interest	-	-	22,790	22,790
Total revenues	<u>73,800</u>	<u>73,800</u>	<u>28,258</u>	<u>(45,542)</u>
Expenditures				
Current				
General government	30,000	30,000	233,980	(203,980)
Transportation	425,000	425,000	136,000	289,000
Culture/Recreation	20,000	20,000	15,709	4,291
Total expenditures	<u>475,000</u>	<u>475,000</u>	<u>385,689</u>	<u>89,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (401,200)</u>	<u>\$ (401,200)</u>	<u>\$ (357,431)</u>	<u>\$ 43,769</u>

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
OLD SAN CARLOS MSBU  
For the Fiscal Year Ended September 30, 2006

	Budgets		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Miscellaneous				
Special Assessments	\$ -	\$ -	\$ 33,428	\$ 33,428
Interest	-	-	9,971	9,971
Total revenues	<u>-</u>	<u>-</u>	<u>43,399</u>	<u>43,399</u>
Expenditures				
Current				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,399</u>	<u>\$ 43,399</u>

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
BEACH ACCESS  
For the Fiscal Year Ended September 30, 2006

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 140,000	\$ 140,000	\$ 119,076	\$ (20,924)
Charges for services	140,000	140,000	95,795	(44,205)
Fines and forfeitures	-	-	40,203	40,203
Miscellaneous				
Interest	-	-	18,137	18,137
Total revenues	<u>280,000</u>	<u>280,000</u>	<u>273,211</u>	<u>(6,789)</u>
Expenditures				
Current				
Culture/Recreation	-	-	194,230	(194,230)
Total expenditures	<u>-</u>	<u>-</u>	<u>194,230</u>	<u>(194,230)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 280,000</u>	<u>\$ 280,000</u>	<u>\$ 78,981</u>	<u>\$ (201,019)</u>

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FEMA  
For the Fiscal Year Ended September 30, 2006

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 170,000	\$ 170,000	\$ 701,724	\$ 531,724
Total revenues	<u>170,000</u>	<u>170,000</u>	<u>701,724</u>	<u>531,724</u>
Expenditures				
Current				
Public safety	-	-	451,594	(451,594)
Total expenditures	<u>-</u>	<u>-</u>	<u>451,594</u>	<u>(451,594)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 250,130</u>	<u>\$ 80,130</u>

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
September 30, 2006

**ASSETS**

**Current assets**

Cash	\$ 2,715,252
Accounts receivable, net	317,988
Due from other governments	<u>126,928</u>
Total current assets	<u>3,160,168</u>

**Noncurrent assets**

Restricted cash	154,255
Unamortized debt issuance costs	2,583
Capital assets, net	<u>2,469,377</u>
Total noncurrent assets	<u>2,626,215</u>

Total assets	<u>5,786,383</u>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

**Current liabilities**

Payable from current assets:	
Note payable - current	180,000
Accounts payable	93,551
Customer refunds payable	222,140
Due to Lee County, Florida	626,741
Due to other funds	<u>12,130</u>
Total payable from current assets	1,134,562

Current liabilities payable from restricted assets:

Customer deposits	<u>154,255</u>
Total current liabilities	1,288,817

**Noncurrent liabilities**

Note payable	<u>2,880,000</u>
Total liabilities	<u>4,168,817</u>

**NET ASSETS**

Invested in capital assets, net of related debt	(590,623)
Unrestricted	<u>2,208,189</u>
Total net assets	<u>\$ 1,617,566</u>

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
For the Fiscal Year Ended September 30, 2006

<b>OPERATING REVENUE</b>	
Water utility revenue	\$ 2,235,730
Total operating revenue	<u>2,235,730</u>
<b>OPERATING EXPENSES</b>	
Bulk water	973,805
Depreciation expense	205,947
Management fees	384,230
Repairs and maintenance	336,961
Power	28,901
Professional services	11,500
Miscellaneous expenses	2,104
Office expenses	<u>12,197</u>
Total operating expenses	<u>1,955,645</u>
Operating income	<u>280,085</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Interest income	125,735
Other expense	(463)
Interest expense	<u>(95,505)</u>
Total non-operating revenue	<u>29,767</u>
Income before capital contributions	309,852
Capital contributions - connection fees	<u>149,649</u>
Change in net assets	459,501
<b>TOTAL NET ASSETS, beginning of year</b>	<u>1,158,065</u>
<b>TOTAL NET ASSETS, end of year</b>	<u><u>\$ 1,617,566</u></u>

The notes to the financial statements are an integral part of this financial statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Fiscal Year Ended September 30, 2006

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 2,290,425
Payments to suppliers and others	<u>(1,648,357)</u>
Net cash provided by operating activities	<u>642,068</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal paid on note	(360,000)
Interest paid on note	(138,147)
Capital contributions	22,721
Acquisition of capital assets	<u>(38,318)</u>
Net cash used in capital and related financing activities	<u>(513,744)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	<u>125,735</u>
Net increase in cash	254,059

CASH, beginning of year	<u>2,615,448</u>
CASH, end of year (including restricted accounts)	<u>\$ 2,869,507</u>

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 280,085
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	205,947
Net (increase) decrease in:	
Receivables	20,338
Net increase (decrease) in:	
Accounts payable	89,657
Due to other governments	(30,834)
Customer refunds payable	78,520
Customer deposits	<u>(1,645)</u>
Net cash provided by operating activities	<u>\$ 642,068</u>

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Town of Fort Myers Beach, Florida (the "Town"), was incorporated pursuant to Chapter 95-494 Laws of Florida. The Town operates under a Town Manager form of government and is governed by an elected five-member Town Council. The Town Manager is appointed by a majority vote of the Council. The Town provides the following services: parks and recreation, public works, streets and roads, planning and zoning, water utility services, and general and administrative services.

Governmental Accounting Standards Board (GASB) Statement No. 14, *Financial Reporting Entity* (GASB No. 14) 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

**Component Units**

**Blended Component Units**

The Town of Fort Myers Beach Community Redevelopment Agency (CRA) is included in the Town's reporting entity because of the significance of the operational and financial relationships with the Town. This component unit has the same governing body as the Town, and is accounted for in a special revenue fund. The CRA was established by the Lee Town Board of Town Commissioners pursuant to Resolution 90-07-21. The Town Council of The Town of Fort Myers Beach became the governing board of the CRA pursuant to the Town's Resolution 98-13. The CRA does not publish individual component unit financial statements.

The Town of Fort Myers Beach Public Works Services, Inc. ("Public Works Services") is a not-for-profit corporation, which provides potable water to the residents within the Town of Fort Myers Beach. The Town's Council acts as the Board of Directors of the Company. The rates and user charges and debt issuance authorizations are approved by the Town Council. The Town has guaranteed the outstanding note payable of the Public Works Services with a pledge of its non Ad Valorem revenues. Public Works Services is reported as an enterprise fund.

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

**Component Units (Continued)**

**Blended Component Units (Continued)**

A complete financial statement of Public Works Services can be obtained at:

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

**Summary of Significant Accounting Policies**

**(a) Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) concentrate on the Town as a whole and do not emphasize fund types but rather a governmental or business-type classification, which are presented in separate columns. The governmental activities and business-type activities comprise the primary government. Neither fiduciary funds nor component units that are fiduciary in nature are included. General governmental and intergovernmental revenues support the governmental activities, whereas the business-type activities are primarily supported by user fees and charges for services. The purpose of the government-wide financial statements is to allow the user to be able to determine if the Town is in a better or worse financial position than the prior year.

The statement of activities reflects the expenses of a given function or segment, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes are reported under general revenue.

The Town's major funds are presented in separate columns on the governmental fund financial statements and the proprietary fund financial statements. The definition of a major fund is one that meets certain criteria set-forth in GASB No. 34. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements.

The effect of interfund activity has been removed from the government-wide financial statements.

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

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

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Town are organized on the basis of funds, 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 or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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

The government-wide financial statements are prepared on a full accrual basis using the economic resources measurement focus, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements have been met.

Proprietary funds record both operating and nonoperating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund that include user fees. Non-operating revenues are not related to the operations of the proprietary fund and include interest earnings and other miscellaneous non-operating receipts. Operating expenses represent the cost of operations, which includes depreciation. Non-operating expenses are not related to operations such as interest expense.

Governmental fund financial statements are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. The Town considers all revenues available if they are collected within sixty days after year-end. Primary revenues, such as property taxes, special assessments, intergovernmental revenues, charges for services, sales and franchise taxes, rents, and interest are treated as susceptible to accrual under the modified accrual basis and so have been recognized as revenues.

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

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

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

Expenditures reported in governmental fund financial statements are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

An exception to this general rule includes principal and interest on general long-term debt, which is recognized when due.

The business-type activities reported in the government-wide financial statements and proprietary funds follow private sector standards issued prior to December 1, 1989, to the extent those standards do not conflict with Governmental Accounting Standards Board statements. However, pursuant to GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town has elected not to apply accounting standards issued after November 30, 1989, by the Financial Accounting Standards Board.

When both restricted and unrestricted resources are available, restricted resources will be used first for incurred expenses, and then unrestricted as needed.

The Town reports the following major funds in the governmental fund financial statements:

*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.

*Gas Tax Fund* is used to account for gas taxes and other resources dedicated to road related projects.

*CRA Fund* is used to account for the tax increment factor levied on the benefiting properties within the defined district and the use of such funds.

*Old San Carlos MSBU* is used to account for special assessment levied on benefited property owners for improvements constructed by the Town.

*Beach Access Fund* is used to account for funds generated and other resources designated for enhancements associated with beach accesses.

*FEMA Fund* was established to account for debris removal, repairs and improvements to the Town as a result of Hurricane Charley.

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

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

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

The Town reports the following major fund in the business-type fund financial statements:

*Public Works Services Fund* is used to account for the activities of the operation of the water system.

(c) Budgets and budgetary accounting

The Town follows the procedures enumerated below in establishing the legally adopted budgetary data reflected in the fund 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, including a Town Manager's message explaining the budget, for the fiscal year commencing the following October 1. The operating budget will include a complete financial plan of all Town funds and activities for the ensuing fiscal year.
2. The Town Council shall publish in one or more newspapers of general circulation the time and place of public hearings. Public hearings are then 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 accounting principles generally accepted in the United States of America.
5. Budget amounts, as shown in the fund financial statements, are as originally adopted and as finally amended by the Town Council. If, during the fiscal year, additional revenues become available for appropriation in excess of those estimated in the budget, the Town Council may make supplemental appropriations by resolution for the year up to the amount of such excess. There were no supplemental appropriations during the year.

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

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

(c) Budgets and budgetary accounting (Continued)

6. The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. The Council must approve all budget amendments, which change the legally adopted total appropriation for a fund. Authority to transfer budget within a fund is delegated to the Town Council. Appropriations lapse at the fiscal year end.

(d) Assets, Liabilities, and Net Assets or Equity

*Cash and Investments*

Cash consists of amounts in demand deposits and certificates of deposit. Investments consist of amounts on deposit with the Local Government Surplus Trust Fund, in money market funds and with the Florida Municipal Investment Trust.

The Town's investment policy allows management to invest any surplus funds in its control in the following:

1. The Local Government Surplus Trust Fund (LGSTF)
2. Florida Municipal Investment Trust (an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01)
3. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency,
4. Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Florida Statutes, Chapter 280.02, and
5. Direct obligations of the United States Treasury.

For purposes of the statement of cash flows, the Town considers highly liquid investments, including those held as restricted assets, with maturities of three months or less when purchased to be cash equivalents.

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

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

(d) Assets, Liabilities, and Net Assets or Equity (Continued)

*Accounts Receivable*

The accounts receivable of the Town are recorded net of allowance for doubtful accounts which generally is equivalent to the receivables that are over 60 days past due.

Special assessment receivables that are not expected to be collected in the current period are reported as deferred revenue in the governmental fund statements. Delinquent special assessments receivable are expected to be recovered, ultimately through liens.

*Due From/Due To*

Activity between funds during the year is recorded by transferring cash. However after September 30, cash can no longer move between funds. Therefore a "due from" and "due to" are used to record any activity representing current interfund loans. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement of net assets as "internal balances".

*Debt issuance costs*

Debt issuance costs are deferred and amortized over the term of the related debt using the straight-line method, which approximates the effective interest method.

*Capital Assets*

Capital assets include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. As permitted by GASB No. 34, the Town has elected not to report infrastructure assets retroactively. Capital assets are recorded at cost if purchased or constructed. Donated fixed assets are recorded at their fair value at the date of donation.

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

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

(d) Assets, Liabilities, and Net Assets or Equity (Continued)

*Capital Assets (Continued)*

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.

The Town follows a capitalization policy that calls for the capitalization of all capital assets that have costs of \$1,000 or more and useful lives in excess of one year.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The ranges of the useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	6-50
Equipment	3-35
Computer Equipment	3-10
Furniture	4-20
Vehicles & rolling stock	3-10
Distribution lines	15
Booster stations	25

*Deferred Revenue*

Deferred revenues do not meet the availability criteria. In the governmental funds, special assessments and certain amounts due from other governments are deferred until collected.

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

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

(d) Assets, Liabilities, and Net Assets or Equity (Continued)

*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.

The accumulated compensated absences are accrued when incurred in the government-wide financial statements. For the Governmental Funds, the amounts normally liquidated with expendable available financial resources are accrued in the individual funds and the remaining portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund and government-wide presentations.

*Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Town to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - PROPERTY TAXES**

The billing and collection of all property taxes is performed for the Town by the Lee County, Florida, Tax Collector. Property taxes are levied after formal adoption of the Town's budget and become due and payable on November 1 of each year. Discounts are allowed for payment of property taxes before March 1 of the following year. Taxes are recognized as revenue when levied to the extent that they result in current receivables. 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 proceeds collected are remitted to the Town. There were no delinquent taxes or uncollected taxes at year end.

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

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

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Compliance with Finance Related Legal and Contractual Provisions**

Management believes there were no violations of finance related legal and contractual provisions.

**Deficit Fund Balances**

*Palmetto/Easy Street* – The current accumulated fund deficit of \$16,181 is a result of the assessments being collected over a period of years. The Town expects the deficit to be recovered in subsequent years when the assessments are paid.

*Times Square* – The current accumulated fund deficit of \$2,247 is a result of current year assessments and other billings not being sufficient to cover current year expenditures. The Town expects the deficit to be recovered in subsequent years through increased billings.

**NOTE 4 - CASH AND INVESTMENTS**

**Cash**

*Governmental Activities*

**Deposits**

*Custodial credit risk* is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. In accordance with its policy, all Town depositories are banks designated by the Florida State Treasurer as qualified public depositories. Chapter 280 of the Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Treasurer as agent for the public entities.

Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and nonnegotiable certificates of deposit. Overnight repurchase agreements with financial institutions are not considered deposits under Chapter 280. Overnight repurchase agreements are uninsured and uncollateralized.

Financial institutions qualifying as public depositories shall deposit with the Treasurer eligible collateral having a market value equal to or in excess of the average daily balance of public deposits times the depository collateral pledging level required pursuant to Chapter 280 as computed and reported monthly or 125 percent of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the Town is not exposed to custodial credit risk.

**Investments**

As of September 30, 2006, the Town had the following investments:

Local Government Surplus Funds Trust Fund	\$ 337,518
Florida Municipal Investment Trust (FMIT)	<u>3,800,941</u>
	<u>\$4,138,459</u>

The Local Government Surplus Funds Trust Fund (the Pool) is administered by the Florida State Board of Administration. This is a 2a7-like pool, and as such, disclosures for concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are not applicable. As for credit risk, the Pool is not rated by a nationally recognized statistical rating agency as of September 30, 2006.

TOWN OF FORT MYERS BEACH, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2006

**NOTE 4 - CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

The FMIT is an external investment pool. The Town's investment in the FMIT is not evidenced by securities that exist in physical or book form and, therefore, disclosures for concentration of credit risk and custodial credit risk are not applicable. As for credit risk, FMIT was not rated at September 30, 2006. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Business-type Activities***

At September 30, 2006, Public Works Services' deposits were insured or collateralized pursuant to Florida Statute Chapter 280.

**NOTE 5 - ACCOUNTS RECEIVABLE**

At September 30, 2006, accounts receivable consisted of the following:

	<b>Gross accounts receivable</b>	<b>Less allowance for doubtful accounts</b>	<b>Net accounts receivable</b>
Water	\$151,171	\$ 8,506	\$142,665
Sewer	190,817	15,494	175,323
Total	<u>\$341,988</u>	<u>\$24,000</u>	<u>\$317,988</u>

**NOTE 6 - RESTRICTED ASSETS**

Restricted assets represent monies restricted for the following purposes at September 30, 2006:

Customer deposits	<u>\$154,255</u>
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TOWN OF FORT MYERS BEACH, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2006

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivable and payable balances at September 30, 2006, consisted of the following:

	<u>Purpose</u>	<u>Amount</u>
Due to: General Fund		
Beach Access	Operations	\$ 393,981
Non major governmental funds	Operations	166,460
Proprietary fund	Advances	<u>12,130</u>
Total due to General Fund		<u>572,571</u>
Due to: Gas Tax Fund		
Non major governmental funds	Construction	20,090
General Fund	Operations	16,883
CRA	Construction	<u>256,641</u>
Total due to Gas Tax Fund		<u>293,614</u>
Due to: Road Impact Fee Fund		
General Fund	Advances	<u>28,980</u>
Due to: Park Impact Fee Fund		
General Fund	Advances	<u>2,902</u>
Due to: CRA Fund		
Old San Carlos MSBU	Construction	<u>155,759</u>
Due to: Non Major Governmental Funds		
General Fund	Operations	<u>117,524</u>
Total		<u>\$ 1,171,350</u>

Interfund transfers for the year ended September 30, 2006, consisted of the following:

<u>Transfers In:</u>	<u>General Fund</u>	<u>Purpose</u>
FEMA	\$ 507,200	Operations
Non Major Governmental Funds	<u>155,606</u>	Operations
Total	<u>\$ 662,806</u>	

TOWN OF FORT MYERS BEACH, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2006

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2006 is as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,235,748	\$ -	\$ -	\$ 4,235,748
Construction in Progress	242,022	266,245	-	508,267
Total capital assets not being depreciated	<u>4,477,770</u>	<u>266,245</u>	<u>-</u>	<u>4,744,015</u>
Capital assets being depreciated:				
Buildings and leasehold improvements	2,171,265	22,687	-	2,193,952
Improvements other than buildings	81,422	-	-	81,422
Office furniture and equipment	171,133	13,462	-	184,595
Vehicles and other equipment	405,263	105,172	-	510,435
Infrastructure	867,274	102,206	-	969,480
Total capital assets being depreciated	<u>3,696,357</u>	<u>243,527</u>	<u>-</u>	<u>3,939,884</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	290,382	58,873	-	349,255
Improvements other than buildings	31,759	6,941	-	38,700
Office furniture and equipment	96,820	14,495	-	111,315
Vehicles and other equipment	211,512	79,143	-	290,655
Infrastructure	16,145	28,607	-	44,752
Total accumulated depreciation	<u>646,618</u>	<u>188,059</u>	<u>-</u>	<u>834,677</u>
Total capital assets being depreciated, net	<u>3,049,739</u>	<u>55,468</u>	<u>-</u>	<u>3,105,207</u>
Total governmental activities capital assets, net	<u>\$ 7,527,509</u>	<u>\$ 321,713</u>	<u>\$ -</u>	<u>\$ 7,849,222</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 82,658
Transportation	7,720
Economic environment	14,468
Culture/Recreation	83,213
	<u>\$ 188,059</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2006

**NOTE 8 - CAPITAL ASSETS (Continued)**

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 305,000	\$ -	\$ -	\$ 305,000
Total capital assets not being depreciated	<u>305,000</u>	<u>-</u>	<u>-</u>	<u>305,000</u>
Capital assets being depreciated:				
Computer equipment	19,472	27,977	2,084	45,365
South booster station	328,250	-	-	328,250
North booster station	78,361	-	-	78,361
Distribution lines	2,740,247	10,341	-	2,750,588
Total capital assets being depreciated	<u>3,166,330</u>	<u>38,318</u>	<u>2,084</u>	<u>3,202,564</u>
Less accumulated depreciation for:				
Computer equipment	13,907	6,355	1,622	18,640
South booster station	54,892	13,321	-	68,213
North booster station	12,896	3,414	-	16,310
Distribution lines	752,167	182,857	-	935,024
Total accumulated depreciation	<u>833,862</u>	<u>205,947</u>	<u>1,622</u>	<u>1,038,187</u>
Total capital assets being depreciated, net	<u>2,332,468</u>	<u>(167,629)</u>	<u>462</u>	<u>2,164,377</u>
Total business-type activities capital assets, net	<u>\$ 2,637,468</u>	<u>\$ (167,629)</u>	<u>\$ 462</u>	<u>\$ 2,469,377</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

*Governmental Activities*

**Capital Lease Obligation Payable**

The Town entered into a capital lease obligation to purchase a Mitsubishi truck. The agreement requires monthly payments of \$787 including interest at the rate of 10.13%. The obligation matured in September 2006.

The changes in long-term obligations during fiscal year ended September 30, 2006 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease Payable	\$ 8,943	\$ -	\$ (8,943)	\$ -	\$ -
Compensated Absences	85,194	-	(33,804)	51,390	-
	<u>\$ 94,137</u>	<u>\$ -</u>	<u>\$ (42,747)</u>	<u>\$ 51,390</u>	<u>\$ -</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2006

**NOTE 9 - LONG-TERM OBLIGATIONS (Continued)**

***Business-type Activities***

Note payable at September 30, 2006, consisted of the following:

Note payable to a financial institution, bearing interest at 4.47 percent, collateralized by a lien on and a pledge of the net revenues of the Town of Fort Myers Beach Services, Inc. Additionally, the Town of Fort Myers Beach, Florida has guaranteed the note with a pledge of its non-Ad-Valorem revenues. The Note was renewed in August 2007 and matures in August 2010.

\$3,060,000

**Changes in Long - Term Obligations**

The changes in long-term obligations for the year ended September 30, 2006 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable	<u>\$ 3,420,000</u>	<u>-</u>	<u>(360,000)</u>	<u>\$ 3,060,000</u>	<u>\$ 180,000</u>

The annual debt service requirements for the note payable as of September 30, 2006 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 180,000	\$ 92,819	\$ 272,819
2008	180,000	130,029	310,029
2009	180,000	121,902	301,902
2010	<u>2,520,000</u>	<u>94,671</u>	<u>2,614,671</u>
	<u>\$ 3,060,000</u>	<u>\$ 439,421</u>	<u>\$ 3,499,421</u>

**Loan Agreement**

The loan agreement contains various covenants including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with the covenants of the loan agreement.

The Town has agreed to fix, establish, and maintain such rates as will provide that annually the net revenue of the Town will be sufficient to pay operating and maintenance expenses and the principal and interest due on the note payable. For the year ended September 30, 2006, net revenues were sufficient to pay the required items.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 10 - 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 the public entity risk pool administered by the Florida League of Cities, Inc. for general/professional liability, property and workers compensation. The Town pays an annual premium to 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 the past two fiscal years. The amount of settlements did not exceed insurance coverage in each of the past three fiscal years.

The Florida League of Cities, Inc. published financial report for the year ended September 30, 2006, 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 \$250) 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 11 - RETIREMENT PLAN**

The Town sponsors a defined contribution pension plan entitled the Town of Fort Myers Beach Pension Plan (the "Plan"). The Plan covers all employees and is administered by the Town. The Plan is a prototype money purchase plan sponsored by VALIC. The Plan can only be amended by VALIC. However, the Town as the Plan administrator can amend the terms within the relate Adoption Agreement, including employer contribution percentages. Contributions to the Plan are based on ten percent of the employee's annual compensation (15% for the Town Manager) and vest 100% to employee upon contribution to the Plan. For the year ended September 30, 2006, contributions to the Plan totaled \$88,106.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

The Town leases office facilities under noncancelable operating leases. Total costs for such leases were \$136,434 for the year ended September 30, 2006. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2007	\$114,367
2008	113,150
2009	116,545
2010	<u>120,041</u>
	<u>\$464,103</u>

**NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)**

The Town has received grants, which are subject to special compliance requirements by the Grantor agency, which could result in disallowed expense amounts. These amounts constitute a contingent liability of the Town.

In fiscal year 2003, the State of Florida and Lee County provided funding toward the purchase of property known as the "Jim and Ellie Newton Property". The Town is required to comply with the terms of the grant agreements as to the use and maintenance of the acquired property. Title to this property would revert to the State of Florida if the Town does not comply with the terms of the grant agreement. In addition, the Town would be required to repay Lee County its funding of \$969,230 plus interest at 12% per annum.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

On June 1, 2001, Woodard & Curran, Inc. was retained pursuant to a contract with the Town to provide for the operation and maintenance of the Town's water system. The term of the agreement is for a period of three years. Woodard & Curran, Inc. is to be compensated for actual costs (estimated to be \$274,000) plus certain adjustments and pass-through costs. The contract expired on May 31, 2004. This contract was extended until September 30, 2004 and was renewed effective October 1, 2004 for another three year period. Commencing October 1, 2004, Woodard & Curran, Inc. is to be paid a monthly sum of \$31,080 for the first twelve months of the agreement. The monthly compensation is to be reviewed annually and adjusted as agreed upon by the Town and Woodard & Curran.

**NOTE 13 - ECONOMIC DEPENDENCY**

On August 3, 2001, a Bulk Water Agreement was entered into with Lee County, Florida, to provide Public Works Services with potable water. Lee County is currently the only source of the Public Works Services' potable water that it supplies to the residents of the Town of Fort Myers Beach. The Bulk Water Agreement is for twenty-five years. Per the agreement, the rate charged by Lee County will not be less than \$2.26 or more than \$2.50 per 1,000 gallons. Effective October 1, 2002, Lee County raised its rate to \$2.46 per 1,000 gallons. Public Works Services revised its base rate effective October 1, 2002, to pass this increase to its customers.

**NOTE 14 - RESTATEMENTS**

In prior years the Town recorded impact fee revenue as unearned revenues until they were expended or the refund period expired, whichever came first. GASB No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* (GASB No. 33), addresses the timing of revenue recognitions. GASB No. 33 states that revenue recognition for imposed nonexchange transactions, which impact fees are classified as, should be when there is an enforceable legal claim, or when the resources are received, whichever is first.

TOWN OF FORT MYERS BEACH, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2006

**NOTE 14 – RESTATEMENTS (Continued)**

Therefore, the Town has determined an error was made in prior years in the method of recording impact fee revenue. As a result of this error the beginning net assets of the governmental activities and the beginning fund balances of the other governmental funds were understated. The effects of this adjustment on the previously reported financial statement amounts were as follows:

<b>Governmental Funds</b>	<u>Governmental Activities</u>	<u>Other Governmental Funds</u>
Net assets/fund balances, as of September 30, 2005, as previously reported	\$ 15,302,673	\$ 1,004,424
Adjustment	<u>735,217</u>	<u>735,217</u>
Net assets/fund balances, as of September 30, 2005, as restated	<u>\$ 16,037,890</u>	<u>\$ 2,084,853</u>
Changes in net assets/fund balances for the year ended September 30, 2005, as previously reported	\$ (267,899)	\$ 40,736
Adjustments	<u>735,217</u>	<u>735,217</u>
Changes in net assets/fund balances for the year ended September 30, 2005, as restated	<u>\$ 467,318</u>	<u>\$ 775,953</u>

In the prior years, revenue from Fire Line Service fees was overstated due to incorrect billing of fees. Public Works Services is refunding the overcharges and a liability for the refunds has been accrued on the statement of net assets. Accordingly, the results for the year ended September 30, 2005 have been restated.

The following schedule sets forth the previously reported and restated amounts of effected items within the Statement of Net Assets, Statement of Revenue Expenses and Changes in Net Assets as of and for the year ended September 30, 2005:

	<u>As previously reported</u>	<u>As restated</u>
Selected Statement of Net Assets data as of 9/30/2005:		
Customer refunds payable	\$ -	\$ 143,620
Unrestricted net assets	1,856,407	1,712,787
Selected Statement of Revenue, Expenses and Changes in Net Assets data for 2005:		
Water utility revenue	2,170,577	2,083,149
Operating income	459,718	372,290
Change in net assets	450,618	363,190
Total net assets, beginning of year	851,067	794,875

**SUPPLEMENTAL FINANCIAL INFORMATION**



TOWN OF FORT MYERS BEACH, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS  
 For the Year Ended September 30, 2006

	Road Impact	Park Impact Fees	Beach Renourishment	Palmetto/ Easy Street	Times Square	Hurricane Wilma	Totals
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	17,068	-	17,068
Intergovernmental	-	-	-	-	-	127,175	127,175
Miscellaneous	-	-	-	-	-	-	-
Special assessments/Impact fees	166,331	54,233	-	3,482	60,922	-	284,968
Interest	17,977	8,581	36,661	427	-	-	63,646
Total revenues	<u>184,308</u>	<u>62,814</u>	<u>36,661</u>	<u>3,909</u>	<u>77,990</u>	<u>127,175</u>	<u>492,857</u>
<b>EXPENDITURES</b>							
Current							
General Government	-	112	-	-	-	-	112
Public Safety	-	-	-	-	-	183,197	183,197
Culture/Recreation	-	-	-	-	135,145	-	135,145
Total expenditures	-	<u>112</u>	-	-	<u>135,145</u>	<u>183,197</u>	<u>318,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>184,308</u>	<u>62,702</u>	<u>36,661</u>	<u>3,909</u>	<u>(57,155)</u>	<u>(56,022)</u>	<u>174,403</u>
<b>OTHER FINANCING SOURCES</b>							
Operating transfers in	-	-	-	-	54,908	100,698	155,606
Operating transfers (out)	-	-	-	-	-	-	-
Total other financing (uses)	-	-	-	-	<u>54,908</u>	<u>100,698</u>	<u>155,606</u>
Excess of revenues over (under) expenditures and other financing sources	<u>184,308</u>	<u>62,702</u>	<u>36,661</u>	<u>3,909</u>	<u>(2,247)</u>	<u>44,676</u>	<u>330,009</u>
<b>FUND BALANCES (deficit), October 1, 2005</b>	<u>490,396</u>	<u>295,669</u>	<u>973,666</u>	<u>(20,090)</u>	-	-	<u>1,739,641</u>
<b>FUND BALANCES (deficit), September 30, 2006</b>	<u>\$ 674,704</u>	<u>\$ 358,371</u>	<u>\$ 1,010,327</u>	<u>\$ (16,181)</u>	<u>\$ (2,247)</u>	<u>\$ 44,676</u>	<u>\$ 2,069,650</u>

**SINGLE AUDIT REPORTS**

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

\*Regulated by the State of Florida



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF 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 financial statements of the Town of Fort Myers Beach, Florida (the Town) as of and for the year ended September 30, 2006, and have issued our report thereon dated September 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Town of Fort Myers Beach Public Works Services, Inc., a component unit, were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the schedule of findings and questioned costs, we consider items 2006-2 and 2006-3 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

We noted certain matters that we have reported to management of the Town in a separate letter dated September 28, 2007.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

*Schultz, Chaipel, Redovan, Baker & Co., LLP*  
Schultz, Chaipel, Redovan, Baker & Co., LLP  
September 28, 2007

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

\*Regulated by the State of Florida



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of the Town of Fort Myers Beach (the "Town") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes 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 audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

## Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Town Council and management of the Town of Fort Myers Beach and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Schultz, Chaipel, Redovan, Baker & Co., LLP*

Schultz, Chaipel, Redovan, Baker & Co., LLP  
September 28, 2007

TOWN OF FORT MYERS BEACH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended September 30, 2006

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Federal or Pass-Through Contract Number	Expenditures	Transfers to Subrecipients
<b>U.S. Department of Transportation</b>				
<b>Federal Highway Administration</b>				
<i>Passed through the Florida Department of Transportation</i>				
Highway Planning and Construction	20.205	AL304	\$ 39,710	\$ -
<b>Department of Homeland Security</b>				
<i>Passed through the Florida Department of Emergency Management</i>				
Public Assistance Grants				
Hurricane Charley FEMA-1539-DR-FL	97.036	05-PA-C%-09-46-02-615	410,947	-
Hurricane Wilma FEMA-1609-DR-FL	97.036	06-WL-&K-09-46-02-871	108,901	-
			519,848	-
<i>Passed through the Florida Department of Community Affairs, Division of Emergency Management</i>				
Flood Mitigation Assistance Program	83.536	06FM-65-09-46-02	106,684	106,684
<b>Department of Housing and Urban Development</b>				
<i>Passed through Lee County, Florida</i>				
Community Development Block Grant	14.218	2700	49,257	-
Total Expenditures of Federal Awards			<u>\$ 715,499</u>	<u>\$ 106,684</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
September 30, 2006

**NOTE 1 - PURPOSE OF SCHEDULE**

The Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the Town's basic financial statements and is presented for purposes of additional analysis. The Schedule is required by Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

Federal Financial Assistance - Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156), and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, that nonfederal entities receive or administer, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, or direct appropriations.

Catalog of Federal Domestic Assistance - OMB Circular A-133 requires the Schedule to present the total expenditures for each of the Town's federal financial assistance programs as identified in the Catalog of Federal and Domestic Assistance (CFDA). Federal financial assistance programs that have not been assigned a CFDA number are indicated with an "N/A."

**B. Type A and Type B Programs**

The Single Audit Act Amendments of 1996, OMB Circular A-133 establish the level of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for the Town are those programs that exceeded \$300,000 in federal assistance and for the year ended September 30, 2006.

**C. Reporting Entity**

The Schedule includes all federal financial assistance programs administered by the Town of Fort Myers Beach and included in the Town's financial statements.

**D. Basis of Accounting**

Federal financial assistance expenditures included in the Schedule are reported using the modified accrual basis of accounting and the accrual basis of accounting for enterprise funds as defined in Note 1(b) to the basic financial statements.

TOWN OF FORT MYERS BEACH, FLORIDA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 September 30, 2006

**NOTE 3 - MATCH REQUIREMENT**

The Town received financial assistance under grants and contracts requiring local match in the form of cash. A match amount is established at the time the financial assistance is awarded. However, this financial assistance is received on a reimbursement basis and can only be recognized to the extent of allowable costs.

For the fiscal year ended September 30, 2006 the Town had matching requirements as follows:

<u>Program Title/Contract #</u>	<u>Federal CFDA Number</u>	<u>Allowable Costs Requiring Match</u>	<u>Match Requirement Percent</u>	<u>Match Requirement Dollars</u>	<u>Cash Match Applied</u>
Flood Mitigation Assistance Program	83.536	\$ 142,245	25%	\$ 35,561	\$ 35,561

TOWN OF FORT MYERS BEACH, FLORIDA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 September 30, 2006

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**Section I – Summary of Auditor’s Report**

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*Financial Statements*

Type of auditor’s report issued;	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u>  X  </u> yes	<u>        </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>  X  </u> yes	<u>        </u> none reported
Noncompliance material to financial statements noted?	<u>        </u> yes	<u>  X  </u> no

*Federal Awards*

Internal control over major programs:		
• Material weakness(es) identified?	<u>        </u> yes	<u>  X  </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>        </u> yes	<u>  X  </u> none reported
Type of auditor’s report issued on compliance for major federal programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u>        </u> yes	<u>  X  </u> no

TOWN OF FORT MYERS BEACH, FLORIDA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
 September 30, 2006

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**Section I – Summary of Auditor’s Report (Continued)**

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Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.036	Department of Homeland Security – Public Assistance Grants

Dollar threshold used to distinguish  
 between Type A or Type B:  
 Major Federal Programs

\$ 300,000

Auditee qualified as low-risk auditee?

    X     yes                 no

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**Section II – Financial Statement Findings**

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Our audit discloses the following matters required to be reported in accordance with *Government Auditing Standards*.

**2006-1**

***Finding***

Controls over the year end financial reporting process include the preparation of financial statements in accordance with generally accepted accounting principles and the recording of recurring and nonrecurring adjustments to the financial statements. As part of the audit, we prepared a draft of the financial statements as well as recurring and nonrecurring adjustments for management’s review and approval. The Auditing Standards Board has defined this situation as a significant deficiency in internal control.

***Management’s Response***

At the end of the audited fiscal year, the general ledger was not in balance, bank reconciliations and a variety of other items had not been completed. In order for the auditing firm to develop the draft financials, the Finance staff had an overwhelming task of bringing everything back in order. There were several significant issues that contributed to the situation including a variety of problems with the Town’s computer system, changes in staff, and issues with the Town’s implementation of the accounting software package.

**2006-2**

***Finding***

The financial information provided for the annual audit required adjustments for material misstatements that were not initially identified by the Town’s internal control.

TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
September 30, 2006

***Management's Response***

The financial statements of the Town at the end of 9/30/06 required a great deal of additional work. Part of these issues involved a variety of problems with the Town's computer system, changes in staff, and issues with the Town's implementation of the accounting software package.

**2006-3**

***Finding***

The information and communication components of internal control include timely reporting of complete and accurate financial information. Complete and accurate monthly financial information is not being prepared and presented to the Town Council in a timely manner.

***Management's Response***

The financial statements of the Town at the end of 9/30/06 required a great deal of additional work on the part of the finance staff and in addition to additional work by a contracted accounting firm. As a result of the year-end difficulties, the timing of the audit was delayed and the Finance staff spent many hours researching items that would normally have been easily traced. The issues included a variety of problems with the Town's computer system, changes in staff, and issues with the Town's implementation of the accounting software package.

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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Our audit did not disclose any matters required to be reported in accordance with Section 510(a) of Circular A-133.

There were no matters reported in the prior year Schedule of Findings and Questioned Costs required to be reported in accordance with Section 510(a) of OMB Circular A-133.

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\*Regulated by the State of Florida



## MANAGEMENT LETTER

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

We have audited the financial statements of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated September 28, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters dated September 28, 2007. Disclosures in this report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with provisions of Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in auditor's reports on internal controls over financial reporting and on compliance and other matters, or in the schedule of findings and questioned costs, a management letter shall include a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual audit report. The significant findings or recommendations reported in the preceding annual financial audit have been updated and are repeated below under the caption *Prior Year Comments that Continue to Apply*.

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

The Rules of Auditor General (Section 10.554(1)(h)3.) require that we include any recommendations to improve the Town's financial management, accounting procedures, and internal controls. Our recommendations follow:

### PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY

#### 03-01

**Criteria:** Special assessments for Old San Carlos (OSC) improvements should be billed timely and in the proper amounts in accordance with Town Resolution 02-24.

**Condition:** Billings have been prepared and sent late in fiscal 2003, 2004 and 2005. Interest calculations have been incorrect due to deviation from the original payment schedule.

**Cause:** The invoicing process was late due to a lack of a tickler system for invoicing special assessments and no follow up by supervisory personnel.

**Effect:** The Town is not receiving interest revenue it is entitled to and the Town's cash flow is impacted by late payment of special assessments.

**Recommendation:** The Finance Director should send correct invoices to affected property owners timely. The Finance Director should inform the Town Manager of property owners who are late in making payment so that appropriate action can be taken. This holds true of all assessments, not just those for OSC.

A tickler system should be employed for all key dates relating to current and future special assessments. This calendar should be monitored by the Town Manager as well as the Finance Director.

#### 03-02

**Criteria:** The expenses related to the contract with Central Parking System of Florida, Inc. for beach parking should be allocated to the General Fund and the Beach Access Fund in accordance with Town Council action at the April 7, 2003 Town Council meeting.

**Condition:** According to Town Council's approval of the contract with Central Parking System of Florida, Inc. on April 7, 2003, the monthly invoices from Central Parking are to be allocated between the General Fund and the Beach Access Fund. From fiscal year 2003 through the current year, the invoices were not allocated but were paid solely out of the General Fund.

**Cause:** A formal procedure does not exist to ensure the parties responsible for the project or activity and the Finance Director meet to determine the appropriate accounting required for the project or activity.

**Effect:** The General Fund over-subsidized the Beach Access parking. Internal financial reports were not accurate for management decision-making purposes.

**Recommendation:** For each new project or activity, the Department Director and the Finance Director should meet to discuss the objectives of the project or activity, its funding source and the proper expenditure accounts to be used.

#### 04-02

**Criteria** – The Town's financial information should accurately reflect the use of Town resources across all funds.

**Condition** – The Town did not record all maintenance expenses associated with the Times Square MSBU in the Times Square MSBU fund.

**Cause** – In previous years, the Town used outside contractors to provide maintenance services for the Times Square area. The payments for these services were charged to the Times Square fund. In fiscal 2004, the Town hired several employees to provide maintenance services for the Town including the Times Square MSBU. None of the costs associated with these employees or supplies were allocated to the Times Square Fund.

**Effect** – The use of Town resources are not accurately reflected in the financial information used by management.

**Recommendation** – The Town should keep records of expenses, including employee wages, relating to the maintenance of the Times Square MSBU paid by the General Fund. An allocation should be made to the Times Square special revenue fund for these expenses to accurately reflect the use of Town resources.

#### **05-01:**

**Criteria** – Accounts payable should be posted timely for amounts owed by the Town for goods and services received.

**Condition** – Accounts payable at year end, did not include all amounts due for goods and services received prior to year end.

**Cause** – Invoices are not being entered in the accounts payable module of the Town's accounting software on a timely basis.

**Effect** – The Town's liabilities are understated.

**Recommendation** – The Town should use the accounts payable module within their accounting software and enter invoices upon receipt.

#### **05-02:**

**Criteria** – All pay rate changes should be evidenced by a properly completed and approved Personnel Action Form.

**Condition** – The Town does not maintain up-to-date Personnel Action Forms for all employees. Pay rate changes are simply noted on the front cover of the personnel file.

**Cause** – The Town does not have a formal policy for the use of such forms or the required supervisory review of changes made.

**Effect** – Unauthorized changes to payroll could occur.

**Recommendation** – The Town should adopt a policy that all changes of pay rates or positions be specifically authorized by the Town Manager and noted on a signed Personnel Action Form. Only upon completion of this form should changes be made to the payroll master file. Completed Personnel Action Forms should be filed in the employee personnel file. Additionally, changes to payroll should be verified by the Town Manager on a regular basis.

**05-03:**

**Criteria** – Adequate supporting documentation should be maintained for all journal entries and journal entries should be approved by the appropriate level of management.

**Condition** – We noted several journal entries made to record accrued time payouts that did not have documentation or proper authorization.

**Cause** – According to the Finance Director, payroll related information is filed in the employees personnel file. However, upon our inspection, this information was not available in the personnel file.

**Effect** – Unauthorized journal entries may be recorded.

**Recommendation** – A policy should be adopted to require a journal entry authorization form accompany each journal entry. This form should be attached to all documentation for the journal entry as well as document the proposed entry. This form and the supporting documentation should be reviewed and approved by the appropriate level of management before the journal entry is posted to the general ledger.

**Current Year Update** – Although the specific condition noted above is not applicable to the current year, our procedures did indicate that proper documentation was not maintained for all journal entries. Therefore our recommendation is still applicable.

**05-04:**

**Criteria** – Subsidiary ledgers for special assessments receivable should be reconciled with the general ledger control accounts on a regular basis.

**Condition** – Several of the Town's subsidiary ledgers detailing special assessments receivables and revenue did not agree to the general ledger account balances.

**Cause** – Town personnel do not reconcile subsidiary ledgers to the general ledger account balances.

**Effect** – Revenues and accounts receivables are not properly recorded in the general ledger.

**Recommendation** – On a monthly basis, Town personnel should reconcile all subsidiary ledgers to the general ledger account balances. In addition, the accounts receivable module should be utilized in order to aid in the reconciliation process and the proper recording of special assessment revenue.

**05-05:**

**Criteria** – A *statement of account* should be sent to property owners that owe special assessments to the Town.

**Condition** – The Town does not consistently send a *statement of account* to property owners showing the balance due on special assessments. Additionally, the Town is not filing liens on delinquent accounts to perfect its interest.

**Cause** – A formal policy has not been adopted for the collection of special assessments.

**Effect** – Special assessment receivables become delinquent and the Town has not secured its right for payment from the benefited party.

**Recommendation** – *Statements of account* should be sent quarterly to the property owners to verify amounts due and payments made. Additionally, liens should be filed when payments are delinquent.

## CURRENT YEAR COMMENTS

### 06-01

**Criteria:** A governmental entity should maintain an adequate record of its property. A complete physical inventory should be taken annually, and the date inventoried should be entered on the property record. The inventory should be compared with the property record, and all discrepancies should be traced and reconciled.

**Condition:** The Town does not maintain a complete and up-to-date capital asset listing, nor has it conducted an annual physical inventory of capital assets.

**Cause:** The Town does not routinely update its capital asset listing and inventory those capital assets on the list.

**Effect:** There is a potential for lost or stolen assets to go unnoticed.

**Recommendation:** The Town should annually update its capital assets listing and inventory all such items at least annually.

### 06-02

**Criteria:** Bank statements should be reconciled in a timely manner to ensure prompt review of all monthly bank activity and reconciling items.

**Condition:** Bank reconciliations for fiscal year 2006 were not reconciled timely.

**Cause:** Due to changes in personnel, bank reconciliations were not prepared within a reasonable period of time from the receipt of the bank statement.

**Effect:** Improper or fraudulent charges will not be identified timely and the Town would possibly forfeit the right to dispute a fraudulent charge with the bank.

**Recommendation:** The Town should institute a policy of reconciling the bank accounts within a reasonable period of time from the receipt of the bank statement. The monthly reconciliations should also be reviewed by the appropriate level of management. In addition, bank statements should be received unopened and reviewed by the appropriate level of management before being forwarded to the individual responsible for preparing the monthly bank reconciliations. Each reviewer should sign off or otherwise evidence that the review was performed.

The Rules of the Auditor General (Section 10.554(1)(h)4.) state that, if not already addressed in the auditor's report on internal control over financial reporting and on compliance and other matters or in the schedule of findings and questioned costs, the management letter shall include, unless clearly inconsequential:

(a) Violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred, and were discovered within the scope of the audit.

(b) Improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements.

(c) Deficiencies in internal control that are not significant deficiencies, including but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions; (3) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention, of the auditor.

Our audit disclosed deficiencies in internal control which are listed above.

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

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report of the Town for the fiscal year ended September 30, 2006, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

As required by the Rules of the Auditor General (Sections 10.554(1)(h)6.c. and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

*Schultz, Chaipel, Redovan, Baker & Co., LLP*

Schultz, Chaipel, Redovan, Baker & Co., LLP  
September 28, 2007

# Town of Fort Myers Beach



To: Gary Parker, Town Manager  
From: Evelyn Wicks, Director of Finance  
Date: September 25, 2007  
Re: Management letter for year ending 9/30/06 – Town of Fort Myers Beach

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## 2006-1

Controls over the year end financial reporting process include the preparation of financial statements in accordance with generally accepted accounting principles and the recording of recurring and nonrecurring adjustments to the financial statements. As part of the audit, we prepared a draft of the financial statements as well as recurring and non-recurring adjustments for management's review and approval. The Auditing Standards Board has defined this situation as a significant deficiency in internal control.

### Management's Response

At the end of the audited fiscal year, the general ledger was not in balance, bank reconciliations and a variety of other items had not been completed. In order for the auditing firm to develop the draft financials, the Finance staff had an overwhelming task of bringing everything back in order. There were several significant issues that contributed to the situation including a variety of problems with the Town's computer system, changes in staff, and issues with the Town's implementation of the accounting software package.

## 2006-2

The financial information provided for the annual audit required adjustments for material misstatements that were not initially identified by the Town's internal control.

### Management's Response

The financial statements of the Town at the end of 9/30/06 required a great deal of additional work. Part of these issues involved a variety of problems with the Town's computer system, changes in staff, and issues with the Town's implementation of the accounting software package.

## 2006-3

The information and communication components of internal control include timely reporting of complete and accurate financial information. Complete and accurate monthly financial information is not being prepared and presented to the Town Council in a timely manner.

### Management's Response

The financial statements of the Town at the end of 9/30/06 required a great deal of additional work on the part of the finance staff and in addition to additional work by a contracted accounting firm. As a result of the year-end difficulties, the timing of the audit was delayed and the Finance staff spent many hours researching items that would normally have been easily traced. The issues included a variety of problems with the Town's computer system, changes in staff, and issues with the Town's implementation of the accounting software package.

**PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY**

**03-01**

Special assessments for Old San Carlos (OSC) improvements should be billed timely and in the proper amounts in accordance with Town Resolution 02-24.

The Finance Department staff and the Public Works Director have been working on a resolution for the outstanding special assessments for the Old San Carlos improvements. The final payment for this project was due June, 2007. The Town Attorney and Finance Director will be meeting to determine what recommendations to make to the Council for collection of the outstanding amounts.

**03-02**

The expenses related to the contract with Central Parking System of Florida, Inc. for beach parking should be allocated to the General Fund and the Beach Access Fund in accordance with Town Council action at the April 7, 2003 Town Council meeting.

The Finance Department staff allocates revenue as appropriate, between the General Fund and the Beach Access Fund. Expenses have not been allocated, but will be determined at year-end and allocated by journal entry. The Town entered into a new agreement with Central Parking System of Florida, Inc. in 2007. In the upcoming year, the Town adopted a budget for FY 2007-08 which directs that all parking revenue be attributed to the General Fund and expenses for Beach Access Fund will account for grants received from the Tourist Development Council. Two additional maintenance employees were authorized in the 07-08 Budget and these employees, their benefits and all maintenance costs will be funded exclusively by TDC grants and accounted for in the Beach Access Fund.

**04-02**

The Town's financial information should accurately reflect the use of Town resources across all funds.

As noted, the Town staff did not record or allocate the resources of the General Fund (maintenance services, employee costs and supplies) to the Times Square MSBU. During the current year (06-07) the Public Works Department did track and maintain information about the costs although they were not allocated. I anticipate that the appropriate transfers will be made in the 07-08 fiscal year.

**05-01**

Accounts payable should be posted timely for amounts owed by the Town for goods and services received.

During the FY 2005-06, the accounting clerk would enter the invoices to be paid as "quick pay" which means she would enter the payment and issue the check immediately. This process was the most practical way at the time. In the future (FY 2007-08), the Town intends to use the accounts payable system which will allow for timely payment of obligations and also gives the Town the opportunity to take advantage of any discounts which may be available.

**05-02**

All pay rate changes should be evidenced by a properly completed and approved Personnel Action Form.

In early 2007, the Town established a Personnel Action Form that applies to any change in pay, status or job title. This form must be signed by the Department Head and approved by the Town Manager.

**05-03**

Adequate supporting documentation should be maintained for all journal entries and journal entries should be approved by the appropriate level of management.

The Town's Finance Director is in the process of developing a manual for Standard Operating Procedures for the accounting system. The manual will provide guidance for development and approval of journal entries.

**05-04**

Subsidiary ledgers for special assessments receivable should be reconciled with the general ledger control accounts on a regular basis.

The Finance Department staff and the Public Works Director have been working on a resolution for the outstanding special assessments including reconciling the subsidiary ledgers and preparing invoices and statements for the outstanding amounts.

**05-05**

A *statement of account* should be sent to property owners that owe special assessments to the Town.

The Finance Department staff and the Public Works Director have been working on a resolution for the outstanding special assessments including reconciling the subsidiary ledgers and preparing invoices and statements for the outstanding amounts.

**06-01**

A governmental entity should maintain an adequate record of its property. A complete physical inventory should be taken annually, and the date inventoried should be entered on the property record. The inventory should be compared with the property record, and all discrepancies should be traced and reconciled.

The capital asset listing was not updated during the 05-06 fiscal year. As a result, year end activities included reviewing expenditures over \$1,000 to determine whether they should be expensed or added to the capital asset inventory. In the future, items will be identified and a separate file will be maintained to insure that capital assets are identified. All dispositions of capital equipment must be approved by the Department head and Finance Director.

**06-02**

Bank statements should be reconciled in a timely manner to ensure prompt review of all monthly bank activity and reconciling items.

During the 2005-06 fiscal year bank statements were not reconciled in a timely manner. The Town is re-installing the MainStreet program in October 2007. The software was not installed correctly in 2005. The upgraded system will assist with bank reconciliations, interest allocations (pooled cash), accounts payables, accounts receivables and all other activities. In addition, the Finance Department will generate financial reports for distribution to the Town Council and other interested parties.