
TOWN OF FORT MYERS BEACH, FLORIDA

BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2008

**TOWN OF FORT MYERS BEACH, FLORIDA
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
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, 2008, 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. 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Gas Tax Fund, CRA Fund, Road Impact Fund and Beach Renourishment 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 June 1, 2009 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.

(1)



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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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental financial information has 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.

LarsonAllen LLP
LarsonAllen LLP

Fort Myers, Florida
June 1, 2009

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, 2008.

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, 2008, the governmental activities assets of the Town of Fort Myers Beach exceeded its liabilities by \$17,416,206 (net assets). Of this amount, \$8,274,618 of unrestricted net assets may be used to meet the Town's ongoing obligations.
- The Town's total net assets increased by \$312,287.
- The Town of Fort Myers Beach's governmental funds reported combined ending fund balances of \$8,281,695 as of September 30, 2008. This is a decrease of \$205,642 over the September 30, 2007 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 2008 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 Fund. 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 Town'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, 2008 and 2007.

Town of Fort Myers Beach, Florida Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 8,559,786	\$ 9,025,884	\$ 3,141,655	\$ 3,370,718	\$ 11,701,441	\$ 12,396,602
Capital assets	9,141,588	8,452,179	2,360,615	2,418,020	11,502,203	10,870,199
Total assets	<u>17,701,374</u>	<u>17,478,063</u>	<u>5,502,270</u>	<u>5,788,738</u>	<u>23,203,644</u>	<u>23,266,801</u>
Current and other liabilities	230,781	278,983	3,621,420	1,063,359	3,852,201	1,342,342
Noncurrent liabilities	54,387	59,690	-	2,880,000	54,387	2,939,690
Total liabilities	<u>285,168</u>	<u>338,673</u>	<u>3,621,420</u>	<u>3,943,359</u>	<u>3,906,588</u>	<u>4,282,032</u>
Net assets:						
Invested in capital assets, net of related debt	9,141,588	8,452,179	(339,385)	(461,980)	8,802,203	7,990,199
Unrestricted	<u>8,274,618</u>	<u>8,687,211</u>	<u>2,220,235</u>	<u>2,307,359</u>	<u>10,494,853</u>	<u>10,994,570</u>
Total net assets	<u>\$ 17,416,206</u>	<u>\$ 17,139,390</u>	<u>\$ 1,880,850</u>	<u>\$ 1,845,379</u>	<u>\$ 19,297,056</u>	<u>\$ 18,984,769</u>

- Governmental activities net assets of \$9,141,588 or 52% represent the amount invested in capital assets, less the outstanding debt used to acquire those assets. The 2008 balance reflects an increase of \$689,409 or 8% over 2007. 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.
- Total current liabilities for business-type activities increased \$2.3M as a result of the long term debt with SunTrust being classified as current in 2008 due to the utility's non-compliance with loan covenants. For further discussion on loan covenants see Note 9 to the financial statements.
- The Town's largest portion of net assets, 54%, 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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues						
Charges for services	\$ 814,428	\$ 682,305	\$ 2,344,561	\$ 2,253,146	\$ 3,158,989	\$ 2,935,451
Operating grants and contributions	425,295	200,571	-	-	425,295	200,571
Capital grants and contributions	463,101	39,531	2,926	30,137	466,027	69,668
General revenues						
Property taxes	2,285,519	2,223,347	-	-	2,285,519	2,223,347
Gas taxes	435,475	468,905	-	-	435,475	468,905
Franchise fees	85,660	85,617	-	-	85,660	85,617
Communications services taxes	627,498	618,032	-	-	627,498	618,032
Intergovernmental revenues	727,958	815,514	-	-	727,958	815,514
Impact fees	106,935	89,693	-	-	106,935	89,693
Investment earnings	274,367	474,591	83,875	157,246	358,242	631,837
Miscellaneous	53,867	53,727	-	-	53,867	53,727
Total revenues	<u>6,300,103</u>	<u>5,751,833</u>	<u>2,431,362</u>	<u>2,440,529</u>	<u>8,731,465</u>	<u>8,192,362</u>
Expenses:						
Program expenses						
Governmental Activities						
General government	3,149,490	2,675,624	-	-	3,149,490	2,675,624
Public safety	31,148	103,680	-	-	31,148	103,680
Physical environment	704,564	605,867	-	-	704,564	605,867
Transportation	1,143,982	871,273	-	-	1,143,982	871,273
Economic environment	-	94,421	-	-	-	94,421
Culture/recreation	994,103	925,796	-	-	994,103	925,796
Business-type activities						
Water Utility	-	-	2,395,892	2,212,716	2,395,892	2,212,716
Total expenses	<u>6,023,287</u>	<u>5,276,661</u>	<u>2,395,892</u>	<u>2,212,716</u>	<u>8,419,179</u>	<u>7,489,377</u>
Increase in net assets	276,816	475,172	35,470	227,813	312,286	702,985
Net assets - beginning	17,139,390	16,664,218	1,845,380	1,617,567	18,984,770	18,281,785
Net assets - ending	<u>\$ 17,416,206</u>	<u>\$ 17,139,390</u>	<u>\$ 1,880,850</u>	<u>\$ 1,845,380</u>	<u>\$ 19,297,056</u>	<u>\$ 18,984,770</u>

Total revenues increased by \$539,103 or 7% in comparison to the prior year. Total expenses increased by \$929,802 or 12% 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 \$6.0 million, as compared to \$5.3 million for fiscal 2007. As shown in the Statement of Activities (page 12), the net cost ultimately paid through taxes and other available resources was \$4.32 million for 2008 as compared to \$4.35 million for 2007. The remaining \$1.7 million was provided by:

- Approximately \$814,400 in charges for services of which there was approximately \$57,300 in revenue from fines and forfeitures, approximately \$377,600 from parking facilities revenues, with the remainder from various fees for general government services.
- Approximately \$425,300 in operating grants and contributions. These grants include Mound House grants and other operating grants.
- \$463,101 in capital grants and contributions.

Town of Fort Myers Beach Governmental Activities

	Total cost of services		Net cost (earnings) of services	
	2008	2007	2008	2007
Public safety	\$ 31,148	\$ 103,680	(31,148)	\$ (96,416)
Physical environment	704,564	605,867	(704,564)	(605,867)
Transportation	1,143,982	871,273	(567,182)	(582,902)
Economic environment	-	94,421	-	45,790
Culture/recreation	994,103	925,796	(47,356)	(549,814)
General government	3,149,490	2,675,624	(2,970,213)	(2,565,045)
Totals	<u>\$ 6,023,287</u>	<u>\$ 5,276,661</u>	<u>\$ (4,320,463)</u>	<u>\$ (4,354,254)</u>

Business-type Activities

Revenues of the Town's business-type activities totaled \$2,431,362 and \$2,440,529 for 2008 and 2007, respectively. Expenses totaled \$2,395,892 and \$2,212,716 for 2008 and 2007, respectively. The increase in net assets was \$35,470 and \$227,813 for 2008 and 2007, 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 \$3,509,662. During the current fiscal year, the fund balance of the Town's General Fund increased by \$250,139 in fiscal year 2008.

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 \$2,418,728, all of which is dedicated for road improvements. This fund balance decreased by \$178,417 in fiscal year 2008.

The *Beach Renourishment Fund* is used to account for funds used to renourish the beach in order to ensure the long-term recreational and economic vitality of the Beach. The fund has a total fund balance of \$1,076,990. The fund was originally established by a transfer from the General Fund and the only other revenue source is accumulated interest. This fund increased by \$38,654 in fiscal year 2008.

The *CRA Fund* (Community Redevelopment Agency Fund) is used to account for funds and other resources dedicated to community improvements. The fund had a deficit fund balance of \$115,870 at September 30, 2008. The current accumulated fund deficit is a result of assessments and other billings not being sufficient to cover fund expenditures. The fund deficit balance will be absorbed by the General Fund in future periods. This fund decrease by \$13,095 in fiscal year 2008.

The *Road Impact Fees Fund* is used to account for funds and other resources dedicated to road related improvement projects. The fund had a total fund balance of \$900,999 at September 30, 2008. This fund balance increased by \$110,188 during fiscal year 2008.

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 revenues equaled a decrease of \$1,796,576. Actual expenditures were \$4,728,329 less than final budgeted amount. The resulting deficiency of revenues under expenditures in the General Fund was \$426,906 for fiscal year 2008.

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	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 4,235,748	\$ 4,235,748	\$ 305,000	\$ 305,000	\$ 4,540,748	\$ 4,540,748
Buildings and leasehold improvements	1,607,576	1,783,934	-	-	1,607,576	1,783,934
Improvements other than buildings	28,840	35,781	-	-	28,840	35,781
Office furniture and equipment	278,963	268,915	-	-	278,963	268,915
Vehicles and other equipment	324,505	245,132	-	-	324,505	245,132
Infrastructure	1,069,028	990,585	1,928,616	2,113,020	2,997,644	3,103,605
Construction in progress	1,596,928	892,084	127,000	-	1,723,928	892,084
Total capital assets	<u>\$ 9,141,588</u>	<u>\$ 8,452,179</u>	<u>\$ 2,360,616</u>	<u>\$ 2,418,020</u>	<u>\$ 11,502,204</u>	<u>\$ 10,870,199</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, 2008 and 2007, the Town had \$2,754,387 and \$2,939,690, respectively, in a note payable, capital lease, and compensated absences. The following table provides a breakdown:

Town of Fort Myers Beach Outstanding Debt						
	Governmental Activities		Business- type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Note payable	\$ -	\$ -	\$ 2,700,000	\$ 2,880,000	\$ 2,700,000	\$ 2,880,000
Compensated absences	54,387	59,690	-	-	54,387	59,690
Total liabilities	<u>\$ 54,387</u>	<u>\$ 59,690</u>	<u>\$ 2,700,000</u>	<u>\$ 2,880,000</u>	<u>\$ 2,754,387</u>	<u>\$ 2,939,690</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 2009 fiscal year.

- Due to the current downturn in the economy, the Town is dealing with a significant devaluation of real property values in the overall Southwest Florida area including the Town.
- The aim of the Town in preparation of the 2009 Budget is to develop a budget that maintains normalcy in terms of its impact on the local economy.
- In August of 2010, assuming SunTrust does not demand earlier payment, the Town's Public Works Services proprietary fund (water utility) will face repayment of approximately \$2,520,000 in current debt. We are currently out of compliance with the terms of that loan due to a number of economic situations in both revenue and expenses. In order to gain compliance it will be necessary for the water utility to increase revenues in the coming months.

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:

Town of Fort Myers Beach
Director of Finance
2523 Estero Boulevard
Fort Myers Beach, Florida 33931

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,278,415	\$ 2,522,112	\$ 5,800,527
Investments	4,520,608	-	4,520,608
Due from other governments	546,201	-	546,201
Accounts receivable	7,467	416,487	423,954
Special assessments receivable	52,950	-	52,950
Prepaid expenses	44,603	-	44,603
Internal balances	109,542	(109,542)	-
Restricted cash	-	195,417	195,417
Unamortized debt issuance costs	-	7,639	7,639
Capital assets (net of accumulated depreciation):			
Land	4,235,748	305,000	4,540,748
Buildings and leasehold improvements	1,607,576	-	1,607,576
Improvements other than buildings	28,840	-	28,840
Office furniture and equipment	278,963	-	278,963
Vehicles and other equipment	324,505	-	324,505
Infrastructure	1,069,028	1,928,616	2,997,644
Construction in progress	1,596,928	127,000	1,723,928
Total assets	<u>17,701,374</u>	<u>5,392,729</u>	<u>23,094,103</u>
LIABILITIES			
Accounts payable and other accrued liabilities	230,781	9,187	239,968
Accrued interest payable	-	36,827	36,827
Customer refunds payable	-	570,448	570,448
Liabilities payable from restricted assets - customer deposits	-	195,417	195,417
Long-term liabilities:			
Due within one year	-	2,700,000	2,700,000
Due in more than one year	54,387	-	54,387
Total Liabilities	<u>285,168</u>	<u>3,511,879</u>	<u>3,797,047</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,141,588	(339,385)	8,802,203
Unrestricted	8,274,618	2,220,235	10,494,853
Total net assets	<u>\$ 17,416,206</u>	<u>\$ 1,880,850</u>	<u>\$ 19,297,056</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,149,490	\$ 170,946	\$ 8,331	\$ -	\$ (2,970,213)	\$ -	\$ (2,970,213)
Public safety	31,148	-	-	-	(31,148)	-	(31,148)
Physical environment	704,564	-	-	-	(704,564)	-	(704,564)
Transportation	1,143,982	538,169	38,631	-	(567,182)	-	(567,182)
Culture/Recreation	994,103	105,313	378,333	463,101	(47,356)	-	(47,356)
Total governmental activities	<u>6,023,287</u>	<u>814,428</u>	<u>425,295</u>	<u>463,101</u>	<u>(4,320,463)</u>	<u>-</u>	<u>(4,320,463)</u>
Business-type activities:							
Water	2,395,892	2,344,561	-	2,926	-	(48,405)	(48,405)
Total primary government	<u>\$ 8,419,179</u>	<u>\$ 3,158,989</u>	<u>\$ 425,295</u>	<u>\$ 466,027</u>	<u>(4,320,463)</u>	<u>(48,405)</u>	<u>(4,368,868)</u>
General revenues:							
Property taxes, levied for general purposes					2,285,519	-	2,285,519
Gas taxes					435,475	-	435,475
Franchise fees					85,660	-	85,660
Communications services taxes					627,498	-	627,498
Intergovernmental revenues, not restricted to specific programs					727,958	-	727,958
Impact fees					106,935	-	106,935
Investment earnings					274,367	83,875	358,242
Miscellaneous					53,867	-	53,867
Total general revenues					<u>4,597,279</u>	<u>83,875</u>	<u>4,681,154</u>
Change in net assets					276,816	35,470	312,286
Net assets - beginning					17,139,390	1,845,380	18,984,770
Net assets - ending					<u>\$ 17,416,206</u>	<u>\$ 1,880,850</u>	<u>\$ 19,297,056</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	<u>General</u>	<u>Gas Tax</u>	<u>CRA</u>	<u>Road Impact</u>	<u>Beach Renourishment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 895,987	\$ 804,748	\$ 140,771	\$ 900,870	\$ -	\$ 536,039	\$ 3,278,415
Investments	2,135,105	1,296,202	-	-	1,089,301	-	4,520,608
Special assessments and other receivables	7,467	-	-	-	-	52,950	60,417
Prepaid expenses	44,603	-	-	-	-	-	44,603
Due from other funds	207,372	276,731	-	-	-	-	484,103
Due from other governments	405,986	78,525	-	129	-	61,561	546,201
Total assets	<u>\$ 3,696,520</u>	<u>\$ 2,456,206</u>	<u>\$ 140,771</u>	<u>\$ 900,999</u>	<u>\$ 1,089,301</u>	<u>\$ 650,550</u>	<u>\$ 8,934,347</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Account payable and accrued liabilities	\$ 186,858	\$ 37,478	\$ -	\$ -	\$ -	\$ 6,444	\$ 230,780
Due to other funds	-	-	256,641	-	12,311	105,610	374,562
Deferred revenue	-	-	-	-	-	47,310	47,310
Total liabilities	<u>186,858</u>	<u>37,478</u>	<u>256,641</u>	<u>-</u>	<u>12,311</u>	<u>159,364</u>	<u>652,652</u>
Fund balances:							
Unreserved, reported in:							
General fund	3,509,662	-	-	-	-	-	3,509,662
Special revenue funds	-	2,418,728	(115,870)	900,999	1,076,990	491,186	4,772,033
Total fund balances (deficit)	<u>3,509,662</u>	<u>2,418,728</u>	<u>(115,870)</u>	<u>900,999</u>	<u>1,076,990</u>	<u>491,186</u>	<u>8,281,695</u>
Total liabilities and fund balances	<u>\$ 3,696,520</u>	<u>\$ 2,456,206</u>	<u>\$ 140,771</u>	<u>\$ 900,999</u>	<u>\$ 1,089,301</u>	<u>\$ 650,550</u>	<u>\$ 8,934,347</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Fund balance totals:	\$ 8,281,695
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	10,408,559
Accumulated depreciation	<u>(1,266,971)</u>
Revenues that are not available to pay for current period expenditures are deferred in the funds.	47,310
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	<u>(54,387)</u>
Net assets of governmental activities	<u>\$ 17,416,206</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	General	Gas Tax	CRA	Road Impact	Beach Renourishment	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	\$ 2,285,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,285,520
Gas	-	435,475	-	-	-	-	435,475
Franchise	85,660	-	-	-	-	-	85,660
Communications services	627,498	-	-	-	-	-	627,498
Licenses and permits	169,253	-	3,805	-	-	19,202	192,260
Intergovernmental revenues	1,362,162	48,068	-	-	-	206,173	1,616,403
Charges for services	538,511	-	-	-	-	-	538,511
Fines and forfeitures	57,281	-	-	-	-	-	57,281
Miscellaneous	-	-	-	-	-	-	-
Special assessments/Impact fees	-	-	-	88,496	-	257,546	346,042
Interest	102,226	75,936	529	23,909	38,654	33,213	274,467
Other	53,242	-	-	-	-	-	53,242
Total revenues	5,281,353	559,479	4,334	112,405	38,654	516,134	6,512,359
EXPENDITURES							
Current							
General government	2,875,614	-	7,254	2,217	-	85,637	2,970,722
Public safety	119,898	-	-	-	-	-	119,898
Physical environment	600,763	30,215	-	-	-	73,585	704,563
Transportation	660,872	707,681	10,166	-	-	18,352	1,396,871
Culture/Recreation	1,451,312	-	9	-	-	74,626	1,525,947
Total expenditures	5,708,259	737,896	17,429	2,217	-	252,200	6,718,001
Excess (deficiency) of revenues over (under) expenditures	(426,906)	(178,417)	(13,095)	110,188	38,654	263,934	(205,642)
OTHER FINANCING SOURCES (USES)							
Operating transfer in	677,045	-	-	-	-	-	677,045
Operating transfers out	-	-	-	-	-	(677,045)	(677,045)
Total other financing sources (uses)	677,045	-	-	-	-	(677,045)	-
Net change in fund balances	250,139	(178,417)	(13,095)	110,188	38,654	(413,111)	(205,642)
FUND BALANCES, October 1, 2007	3,259,523	2,597,145	(102,775)	790,811	1,038,336	904,297	8,487,337
FUND BALANCES, September 30, 2008	\$ 3,509,662	\$ 2,418,728	\$ (115,870)	\$ 900,999	\$ 1,076,990	\$ 491,186	\$ 8,281,695

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008

Net change in Fund balances - total governmental funds		\$ (205,642)
<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	1,084,004	
Depreciation	<u>(273,701)</u>	810,303
<p>Losses on disposals of capital assets are not reported in the fund financial statements.</p>		
		(120,895)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(212,255)
<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 9/30/08 from 9/30/07.</p>		
		<u>5,305</u>
Change in net assets of governmental activities		<u>\$ 276,816</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2008

	Budgets		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes				
Property taxes	\$ 2,362,706	\$ 2,362,706	\$ 2,285,520	\$ (77,186)
Franchise taxes	90,000	90,000	85,660	(4,340)
Communications services tax	668,178	668,178	627,498	(40,680)
Licenses and permits	371,400	371,400	169,253	(202,147)
Intergovernmental revenues	2,557,645	2,557,645	1,362,162	(1,195,483)
Charges for services	593,000	593,000	538,511	(54,489)
Fines and forfeitures	35,000	35,000	57,281	22,281
Miscellaneous				
Interest	215,000	215,000	102,226	(112,774)
Other	185,000	185,000	53,242	(131,758)
Total revenues	<u>7,077,929</u>	<u>7,077,929</u>	<u>5,281,353</u>	<u>(1,796,576)</u>
Expenditures				
Current				
General government	3,481,844	3,481,844	2,875,614	606,230
Public safety	855,000	855,000	119,898	735,102
Physical environment	696,483	696,483	600,763	95,720
Transportation	1,038,500	1,038,500	660,672	377,828
Culture/Recreation	4,364,761	4,364,761	1,451,312	2,913,449
Total expenditures	<u>10,436,588</u>	<u>10,436,588</u>	<u>5,708,259</u>	<u>4,728,329</u>
Deficiency of revenues				
under expenditures	<u>(3,358,659)</u>	<u>(3,358,659)</u>	<u>(426,906)</u>	<u>2,931,753</u>
Other financing uses				
Operating transfers in	-	72,081	677,045	604,964
Operating transfers out	-	-	-	-
Total other financing sources (use)	<u>-</u>	<u>72,081</u>	<u>677,045</u>	<u>604,964</u>
Net change in fund balances	<u>\$ (3,358,659)</u>	<u>\$ (3,286,578)</u>	<u>\$ 250,139</u>	<u>\$ 3,536,717</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GAS TAX FUND
YEAR ENDED SEPTEMBER 30, 2008

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Gas taxes	\$ 486,250	\$ 486,250	\$ 435,475	\$ (50,775)
Intergovernmental	118,489	118,489	48,068	(70,421)
Miscellaneous				
Interest	200,000	200,000	75,936	(124,064)
Total revenues	804,739	804,739	559,479	(245,260)
Expenditures				
Current				
Physical environment	-	-	30,215	(30,215)
Transportation	3,016,820	3,016,820	707,681	2,309,139
Total expenditures	3,016,820	3,016,820	737,896	2,278,924
Deficiency of revenues under expenditures	(2,212,081)	(2,212,081)	(178,417)	2,033,664
Other financing uses				
Operating transfers out	-	(43,249)	-	43,249
Net change in fund balances	\$ (2,212,081)	\$ (2,255,330)	\$ (178,417)	\$ 2,076,913

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CRA FUND
YEAR ENDED SEPTEMBER 30, 2008

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 29,254	\$ 29,254	\$ 3,805	\$ (25,449)
Miscellaneous				
Interest	-	-	529	529
Total revenues	<u>29,254</u>	<u>29,254</u>	<u>4,334</u>	<u>(24,920)</u>
Expenditures				
Current				
General government	29,254	29,254	7,254	22,000
Transportation	-	-	10,166	(10,166)
Culture/Recreation	-	-	9	(9)
Total expenditures	<u>29,254</u>	<u>29,254</u>	<u>17,429</u>	<u>11,825</u>
 Deficiency of revenues under expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (13,095)</u>	 <u>\$ (13,095)</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – ROAD IMPACT FEE FUND
YEAR ENDED SEPTEMBER 30, 2008

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous				
Impact fees	\$ 78,000	\$ 78,000	\$ 88,496	\$ 10,496
Interest	12,000	12,000	23,909	11,909
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>112,405</u>	<u>22,405</u>
Expenditures				
Current				
General government	-	-	2,217	(2,217)
Transportation	90,750	90,750	-	90,750
Total expenditures	<u>90,750</u>	<u>90,750</u>	<u>2,217</u>	<u>88,533</u>
Net change in fund balances	<u>\$ (750)</u>	<u>\$ (750)</u>	<u>\$ 110,188</u>	<u>\$ 110,938</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BEACH RENOURISHMENT FUND
YEAR ENDED SEPTEMBER 30, 2008

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous				
Interest	\$ 45,000	\$ 45,000	\$ 38,654	\$ (6,346)
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>38,654</u>	<u>(6,346)</u>
Expenditures				
Current				
Culture/Recreation	45,000	45,000	-	45,000
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Excess revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,654</u>	<u>\$ 38,654</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF NET ASSETS – PROPRIETARY FUND
SEPTEMBER 30, 2008**

ASSETS

Current assets

Cash	\$ 2,522,112
Accounts receivable, net	416,487
Total current assets	2,938,599

Noncurrent assets

Restricted cash	195,417
Unamortized debt issuance costs	7,639
Capital assets, net	2,360,615
Total noncurrent assets	2,563,671

Total assets	5,502,270
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LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities

Payable from current assets:	
Current portion of note payable	2,700,000
Accounts payable	36,827
Customer refunds payable	9,187
Due to Lee County, Florida	570,448
Due to other funds	109,541
Total payable from current assets	3,426,003

Payable from restricted assets:	
Customer deposits	195,417
Total current liabilities	3,621,420

NET ASSETS

Invested in capital assets, net of related debt	(339,385)
Unrestricted	2,220,235
Total net assets	\$ 1,880,850

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS – PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2008**

OPERATING REVENUE	
Water utility revenue	<u>\$ 2,344,561</u>
OPERATING EXPENSES	
Bulk water	1,157,633
Depreciation expense	222,737
Management fees	381,776
Repairs and maintenance	290,244
Insurance	66,270
Power	30,790
Personal services	45,323
Professional services	35,200
Miscellaneous expenses	14,114
Office expenses	18,816
Total operating expenses	<u>2,262,903</u>
Operating income	<u>81,658</u>
NON-OPERATING REVENUE (EXPENSE)	
Interest income	83,875
Interest expense	(132,989)
Total non-operating expenses	<u>(49,114)</u>
Income before capital contributions	32,544
Capital contributions - connection fees	<u>2,926</u>
Change in net assets	35,470
TOTAL NET ASSETS, beginning of year	<u>1,845,380</u>
TOTAL NET ASSETS, end of year	<u><u>\$ 1,880,850</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,276,128
Payments to suppliers and others	(2,229,163)
Net cash provided by operating activities	<u>46,965</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on note	(180,000)
Interest paid on note	(132,989)
Capital contributions	2,926
Acquisition of capital assets	(130,355)
Net cash used in capital and related financing activities	<u>(440,418)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>83,875</u>
Net change in cash	(309,578)
CASH, beginning of year	<u>3,027,107</u>
CASH, end of year	<u>\$ 2,717,529</u>
RECONCILIATION OF CASH	
Cash	\$ 2,522,112
Restricted cash	195,417
Total cash	<u>\$ 2,717,529</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 81,658
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	222,737
Net (increase) decrease in:	
Accounts Receivables	(72,553)
Net increase (decrease) in:	
Accounts payable	(28,495)
Due to Lee County, Florida	(276,353)
Due to Town of Fort Myers Beach, Florida	97,411
Customer refunds payable	(47)
Customer deposits	22,607
Net cash provided by operating activities	<u>\$ 46,965</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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 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.

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

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

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.

(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 net assets, 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.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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 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 non-operating 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.

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.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

**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)

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.

Community Redevelopment Agency Fund is used to account for funds and other resources dedicated to community improvement.

Road Impact Fees Fund is used to account for funds and other resources dedicated to road related improvement projects.

Beach Renourishment Fund is used to account for funds used to renourish the beach in order to ensure the long-term recreational and economic vitality of the Beach.

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.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

Summary of Significant Accounting Policies (Continued)

- (c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)
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.
 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
5. Direct obligations of the United States Treasury

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

Summary of Significant Accounting Policies (Continued)

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

For accounting and investment purposes, the Town maintains a cash and investment pool that is available for use by all funds except those whose cash and investments must be segregated due to legal or other restrictions. Investments within this pool are treated as a demand deposit account by the various funds of the Town that participate. Interest earned on investments in the pool is allocated to the various funds based upon each fund's equity balance in the pool during the allocation period.

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.

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 90 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 inter-fund 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

In the government-wide and proprietary fund financial statements, 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.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

Summary of Significant Accounting Policies (Continued)

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

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at their fair value at the date of donation.

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>Assets</u>	<u>Years</u>
Building and building improvements	10 - 40
Leasehold improvements	10
Equipment	5 - 10
Computer equipment	3 - 10
Furniture	3 - 10
Vehicles & rolling stock	3 - 10
Distribution lines	15
Booster stations	25
Generators	10

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.

Compensated absences

Full-time employees may accumulate vacation and medical leave. The Town's policy allows employees to accumulate up to 240 hours of vacation leave and 720 hours of medical leave. Upon voluntary or involuntary separation from employment, an employee will be paid for all accumulated vacation leave (up to 240 hours). The accumulated compensated absences are accrued when incurred in the government-wide financial statements for both the current and long-term portions.

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.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

Summary of Significant Accounting Policies (Continued)

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

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 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.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Deficit Fund Balances

Times Square Fund – The current accumulated fund deficit of \$82,606 is a result of assessments and other billings not being sufficient to cover expenditures in prior years. This fund deficit balance will be absorbed by the General Fund in future periods.

Palmetto/Easy Street – The current accumulated fund deficit of \$12,343 is a result of assessments and other billings not being sufficient to cover expenditures in prior years. Revenues exceeded expenditures by \$211 in the current year. The Town expects the deficit to be recovered in subsequent years when the assessments are paid.

CRA – The current accumulated fund deficit of \$115,870 is a result of assessments and other billings not being sufficient to cover fund expenditures. This fund deficit balance will be absorbed by the General Fund in future periods.

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.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Investments

As of September 30, 2008, the Town had the following investments:

Local Government Surplus Funds Trust Fund	\$ 350,452
Local Government Surplus Funds Trust Fund B	12,859
Florida Municipal Investment Trust (FMIT)	<u>4,157,298</u>
	<u>\$ 4,520,609</u>

The Local Government Surplus Funds Trust Fund (the LGIP) is administered by the Florida State Board of Administration and valued using the account balance which is stated at amortized cost. 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 LGIP is rated AAAM by Standard and Poor as of September 30, 2008.

The Local Government Surplus Funds Trust Fund B is accounted for as a fluctuating net asset value ("NAV") pool. The fair value factor for September 30, 2008 was .798385.

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, 2008. 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, 2008, Public Works Services' deposits were insured or collateralized pursuant to Florida Statute Chapter 280.

NOTE 5 ACCOUNTS RECEIVABLE

At September 30, 2008, accounts receivable consisted of the following:

	Gross accounts receivable	Less allowance for doubtful accounts	Net accounts receivable
Water	\$ 192,757	\$ 11,199	\$ 181,558
Sewer	247,729	12,801	234,928
	<u>\$ 440,486</u>	<u>\$ 24,000</u>	<u>\$ 416,486</u>

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6 RESTRICTED ASSETS

Restricted assets represent funds restricted for the following purposes at September 30, 2008:

Customer deposits	<u>\$ 195,417</u>
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NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at September 30, 2008, consisted of the following:

	Purpose	Amount
Due to: General Fund		
Beach Renourishment	Operations	\$ 12,311
Times Square	Operations	85,520
	Total due to General Fund	97,831
Due to: Gas Tax Fund		
DRA Fund	Operations	256,641
Palmetto Easy Street Fund	Operations	20,090
	Total due to Gas Tax Fund	\$ 276,731
Total		\$ 374,562

Interfund transfers for the year ended September 30, 2007, consist of the following:

	Purpose	Amount
Transfers to General Fund		
Beach Access	Operations	\$ 364,285
FEMA	Fund closed out	260,725
Wilma	Fund closed out	52,035
		\$ 677,045
<u>Internal Balances (shown as eliminating on Statement of Net Assets)</u>		
Due from Water Utility	Salaries / Insurance premiums	\$ 109,541

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 is as follows:

<u>Governmental activities:</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,235,748	\$ -	\$ -	\$ 4,235,748
Construction in progress	892,084	704,844	-	1,596,928
Total capital assets not being depreciated	5,127,832	704,844	-	5,832,676
Capital assets being depreciated:				
Buildings and leasehold improvements	2,193,952	-	132,455	2,061,497
Improvements other than building	81,422	-	-	81,422
Office furniture and equipment	407,030	89,628	-	496,658
Vehicles and other equipment	612,343	166,019	28,650	749,712
Infrastructure	1,063,081	123,513	-	1,186,594
Total capital assets being depreciated	4,357,828	379,160	161,105	4,575,883
Less accumulated depreciation for:				
Buildings and leasehold improvements	410,018	57,148	13,245	453,921
Improvements other than building	45,641	6,941	-	52,582
Office furniture and equipment	138,115	79,580	-	217,695
Vehicles and other equipment	367,211	84,962	26,966	425,207
Infrastructure	72,496	45,070	-	117,566
Total accumulated depreciation	1,033,481	273,701	40,211	1,266,971
Capital assets being depreciated, net	3,324,347	105,459	120,894	3,308,912
Governmental activities capital assets, net	\$ 8,452,179	\$ 810,303	\$ 120,894	\$ 9,141,588

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

<u>Governmental activities:</u>	
General government	\$ 155,831
Transportation	24,095
Economic environment	14,468
Culture and recreation	79,307
Total depreciation expense, governmental activities	\$ 273,701

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 8 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2008 (continued):

<u>Business-type activities:</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 305,000	\$ -	\$ -	\$ 305,000
Construction in progress	-	127,000	-	127,000
Total capital assets not being depreciated	305,000	127,000	-	432,000
Capital assets being depreciated:				
Computer equipment	45,364	-	-	45,364
South booster station	351,950	-	-	351,950
North booster station	90,211	4,490	-	94,701
Distribution lines	2,776,299	32,642	-	2,808,941
Generators	93,904	1,200	-	95,104
Total capital assets being depreciated	3,357,728	38,332	-	3,396,060
Less accumulated depreciation for:				
Computer equipment	24,531	9,326	-	33,857
South booster station	81,773	14,269	-	96,042
North booster station	19,843	4,262	-	24,105
Distribution lines	1,118,561	185,429	-	1,303,990
Generators	-	9,450	-	9,450
Total accumulated depreciation	1,244,708	222,736	-	1,467,444
Total capital assets being depreciated, net	2,113,020	(184,404)	-	1,928,616
Total business-type activities capital assets, net	\$ 2,418,020	\$ (57,404)	\$ -	\$ 2,360,616

NOTE 9 LONG-TERM OBLIGATIONS

Governmental Activities

Compensated Absences

The changes in long-term obligations during fiscal year ended September 30, 2008 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 59,690	\$ -	\$ 5,305	\$ 54,385	\$ -

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 9 LONG-TERM OBLIGATIONS (CONTINUED)

Business-type Activities

Note payable at September 30, 2008, 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 Public Works Services, Inc. Additionally, the Town of Fort Myers Beach, Florida has, by way of resolution, pledged of its non-Ad-Valorem revenues for payment of principal and interest on this debt in the event Public Works revenue cannot make those payments. The Note was renewed in August 2007 and due to loan covenant defaults is currently due on demand.

\$ 2,700,000

Changes in Long - Term Obligations

The changes in long-term obligations for the year ended September 30, 2008 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Note payable	<u>\$ 2,880,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 2,700,000</u>	<u>\$ 2,700,000</u>

Loan Agreement

The loan agreement contains various covenants, including such items as debt service coverage, reporting requirements, and maintenance of facilities. For the year ended September 30, 2008 the Town of Fort Myers Beach Public Works Services Inc. was in violation of the debt service coverage covenant, and the covenant requiring audited financial statements be submitted to the lender no later than 180 days subsequent to year end. Pursuant to the "Rights of Default" detailed in the debt agreement with the lender, the lender reserves the right to call principal and interest outstanding on the note as being immediately due and payable. As of the date of issuance of these financial statements, the lender had not exercised its' rights of default under the debt agreement. However, the lender has not issued a waiver of those rights in connection with these covenant violations. As a result of these covenant violations, the associated note has been presented a current liability on the Statement of Net Assets as of September 30, 2008.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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, 2008, 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 related Adoption Agreement, including employer contribution percentages. Contributions to the Plan are based on 10% 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, 2008, contributions to the Plan totaled \$136,465.

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Town leases office facilities under non-cancelable operating leases. Total costs for such leases were \$114,408 for the year ended September 30, 2008. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2009	116,545
2010	120,041
	<u>\$ 236,586</u>

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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, and was most recently renewed on October 1, 2007 extending through September 30, 2010. Pursuant to the agreement, Woodard & Curran Inc. is to receive \$30,538 in monthly compensation for its services. The monthly compensation is to be reviewed annually and adjusted as agreed upon by the Town and Woodard & Curran.

In April 2007, Central Parking Systems of Florida, Inc. was retained to provide services for the installation and maintenance of parking meters along with parking enforcement. The term of the agreement is for a period of three years. Pursuant to the agreement Central Parking Systems of Florida, Inc. is to receive \$299,601 annually in twelve equal monthly payments of \$24,967. At the end of the first year and each year thereafter, the Town may negotiate a modification of the agreement price with an increase capped at a local CPI approved by the Town.

On May 22, 2007, Estero Bay Hotel Company, d/b/a Matanzas Inn, was retained to provide services for the operation and management of the Matanzas Harbor Anchorage according to the rules of the Matanzas Harbor Management Plan. The term of the agreement is for a three year period ending May 22, 2010. Pursuant to the agreement the Town is to make payments by the 15th of each month of an amount equal to 70% of the previous month's net revenue. Estero Bay Hotel Company, d/b/a Matanzas Inn, is also eligible to receive out-of-pocket expense reimbursements; however, the expenses are required to be provided in writing in advance and agreed to by the Town.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

In 2007, Aquatic Management, Inc. was retained to provide services for the operation and management of the public pool. The term of the agreement is for a period of three years. Pursuant to the agreement the Town is to make payments by the 15th of each month of an amount equal to 1/12th of the annual fee of \$234,000. Aquatic Management, Inc. is also eligible to receive an incentive based on gross revenues. The gross revenue goal is \$93,000 for the remaining two years. Aquatic Management, Inc. did not meet the revenue goal for the fiscal year ending September 30, 2008.

NOTE 13 ECONOMIC DEPENDENCY

On August 3, 2001, a Bulk Water Agreement was entered into with Lee County, Florida, to provide the Company with potable water. Lee County is currently the only source of the Company's potable water that it supplies to the residents of the Town of Fort Myers Beach. The Bulk Water Agreement is for twenty-five years. Effective October 1, 2007, Lee County raised its rate per 1,000 gallons from \$2.46 to \$3.20. The Company revised its base rate effective February 1, 2008, to pass this increase on to its customers.

SUPPLEMENTAL FINANCIAL INFORMATION

**TOWN OF FORT MYERS BEACH, FLORIDA
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2008**

	Old San Carlos	Beach Access	Park Impact	Times Square	Palmetto/ Easy Street	Totals
ASSETS						
Cash	\$ 111,921	\$ -	\$ 416,371	\$ -	\$ 7,747	\$ 536,039
Special assessments and other receivables	27,769	-	-	5,680	19,501	52,950
Due from other governments	-	61,509	52	-	-	61,561
Total assets	<u>\$ 139,690</u>	<u>\$ 61,509</u>	<u>\$ 416,423</u>	<u>\$ 5,680</u>	<u>\$ 27,248</u>	<u>\$ 650,550</u>

LIABILITIES AND FUND BALANCES (DEFICITS)

LIABILITIES

Accounts payable and accrued liabilities	\$ -	\$ 3,718	\$ -	\$ 2,726	\$ -	\$ 6,444
Due to other funds	-	-	-	85,520	20,090	105,610
Deferred revenue	27,769	-	-	40	19,501	47,310
Total liabilities	<u>27,769</u>	<u>3,718</u>	<u>-</u>	<u>88,286</u>	<u>39,591</u>	<u>159,364</u>

FUND BALANCES

Fund balances						
Unreserved, designated for:						
Capital improvements	-	57,791	416,423	-	-	474,214
Unreserved, undesignated	111,921	-	-	(82,606)	(12,343)	16,972
Total fund balances (deficits)	<u>111,921</u>	<u>57,791</u>	<u>416,423</u>	<u>(82,606)</u>	<u>(12,343)</u>	<u>491,186</u>

Total liabilities and fund balances (deficits)	<u>\$ 139,690</u>	<u>\$ 61,509</u>	<u>\$ 416,423</u>	<u>\$ 5,680</u>	<u>\$ 27,248</u>	<u>\$ 650,550</u>
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**TOWN OF FORT MYERS BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2008**

	Old San Carlos	Beach Access	Park Impact	Times Square	Palmetto / Easy Street	FEMA	Hurricane Wilma	Totals
REVENUES								
Licenses and permits	\$ -	\$ -	\$ -	\$ 19,202	\$ -	\$ -	\$ -	\$ 19,202
Intergovernmental	-	206,173	-	-	-	-	-	206,173
Miscellaneous								
Special assessments/impact fees	212,255	-	18,440	26,851	-	-	-	257,546
Interest	-	21,050	11,931	-	232	-	-	33,213
Total revenues	<u>212,255</u>	<u>227,223</u>	<u>30,371</u>	<u>46,053</u>	<u>232</u>	<u>-</u>	<u>-</u>	<u>516,134</u>
EXPENDITURES								
Current								
General government	935	83,589	1,092	-	21	-	-	85,637
Physical environment	-	-	-	73,585	-	-	-	73,585
Transportation	-	18,352	-	-	-	-	-	18,352
Culture/Recreation	-	74,626	-	-	-	-	-	74,626
Total expenditures	<u>935</u>	<u>176,567</u>	<u>1,092</u>	<u>73,585</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>252,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>211,320</u>	<u>50,656</u>	<u>29,279</u>	<u>(27,532)</u>	<u>211</u>	<u>-</u>	<u>-</u>	<u>263,934</u>
OTHER FINANCING SOURCES								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers (out)	-	(364,285)	-	-	-	(260,725)	(52,035)	(677,045)
Total other financing (uses)	<u>-</u>	<u>(364,285)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(260,725)</u>	<u>(52,035)</u>	<u>(677,045)</u>
Excess of revenues over (under) expenditures and other financing sources	<u>211,320</u>	<u>(313,629)</u>	<u>29,279</u>	<u>(27,532)</u>	<u>211</u>	<u>(260,725)</u>	<u>(52,035)</u>	<u>(413,111)</u>
FUND BALANCES (deficit), October 1, 2007	<u>(99,399)</u>	<u>371,420</u>	<u>387,144</u>	<u>(55,074)</u>	<u>(12,554)</u>	<u>260,725</u>	<u>52,035</u>	<u>904,297</u>
FUND BALANCES (deficit), September 30, 2008	<u>\$ 111,921</u>	<u>\$ 57,791</u>	<u>\$ 416,423</u>	<u>\$ (82,606)</u>	<u>\$ (12,343)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 491,186</u>



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**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, Florida
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, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 1, 2009. 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.

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 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 below to be significant deficiencies in internal control over financial reporting.

2008- 01 Financial Reporting Process

Criteria

Town management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with applicable accounting and reporting standards.

Condition

As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

Cause

The Town has a limited number of personnel.

Effect

The design of the controls over the financial reporting process affects the Town's ability to report their financial data consistent with the assertions of management.

Recommendation

We understand that this situation is already known to management and represents a conscious decision by management and the Council to accept that degree of risk because of cost or other considerations. We acknowledge the fact that management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions to ensure that the Council is aware of this situation.

2008- 02 Current Year Audit Adjustments

Criteria

Town management is responsible for establishing and maintaining internal controls for the proper recording of all the Town's receipts and disbursements, including reclassifications between funds, year-end accruals, and activity of all cash and investment accounts.

Condition

As part of the audit, we proposed audit adjustments to revise the Town's books at year-end. These adjustments involved the recording of accruals, reclassifications of revenues and disbursements to the proper accounts, fund balance reclassifications, and the capitalizing of capital asset purchases.

Cause

The Town maintains its records on the cash basis and relies on the auditor to propose adjustments to convert certain accounts from the cash basis to accrual basis.

Effect

The design of the controls over the financial reporting process affects the Town's ability to report their financial data consistent with the assertions of management.

Recommendation

We understand that this material weakness is already known to management and represents a conscious decision by management and the Council to accept that degree of risk because of cost or other considerations. We acknowledge the fact that management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions to ensure that the Council is aware of this situation.

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 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 internal control that might be significant deficiencies or material weaknesses; however, we consider the significant deficiencies described above 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 the following instance of non-compliance which we are required to report under *Government Auditing Standards*:

The Town of Fort Myers Beach Public Works Services Inc. (the Utility), a blended component unit of the Town of Fort Myers Beach, was in violation of the debt service coverage covenant, and the covenant requiring audited financial statements be submitted to the lender no later than 180 days subsequent to year end pursuant to the Utility's long term debt agreement with SunTrust Bank. As a result SunTrust is entitled to certain rights of default detailed in the loan agreement. Included in those rights is the right to demand immediate payment of all outstanding debt under the agreement in default. SunTrust has not exercised any of its rights of default under this agreement, and has not given the Company any indication that it will do so. This matter has been fully disclosed in Note 9 to the financial statements.

We noted certain matters that we reported to management of the Town in a separate letter dated June 1, 2009.

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

Larson Allen LLP
LarsonAllen LLP

Fort Myers, Florida
June 1, 2009



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MANAGEMENT LETTER

Board of Commissioners
Town of Fort Myers Beach, Florida
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, 2008 and have issued our report thereon dated June 1, 2009.

We conducted our audit 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. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters dated June 1, 2009. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except for comments 2008-01 and 2008-02 in the Report on Internal Control over Financial Reporting.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of 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.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

Prior Period Findings and Recommendations:

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.

(47)



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a worldwide network of independent accounting and consulting firms.

Prior Period Findings and Recommendations (Continued):

Cause – Town employees provide maintenance services to 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.

05-05:

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.

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 Findings and Recommendations:

08-03

Criteria: Control procedures performed by management to prevent or detect material misstatements should be physically verifiable as evidenced by initial or sign off when possible by the member of management who performs the review.

Conditions: In our review of the implementation of the Director of Finance's review of manual journal entries made by the Finance Coordinator we noted the Director of Finance does not evidence her review with an initial or other form of sign off that is physically verifiable.

Effect: Audit staff are not able to verify the Director of Finance's approval of manual journal entries posted by the Finance Coordinator.

Recommendation: We recommend the Director of Finance evidence her review of manual journal entries entered by the Finance Coordinator either by printing and initialing manual entries made, or by using the journal entry approval function within the GL software.

Current Year Findings and Recommendations (Continue):

08-04

Criteria: The Town contracts with several service providers to perform services such as pool management, parking management, waste disposal, and management of the mooring field. All service providers are contractually obligated to maintain a certain level of insurance coverage when performing services for the Town.

Conditions: In our review of several service contracts we noted the Town does not obtain, and maintain on file, annual proof of insurance from contracted service providers beyond the first year of the contract.

Effect: There do not appear to be adequate monitoring procedures in place to ensure contracted service providers are maintaining the required insurance coverage from year to year. Required insurance coverage may lapse exposing the Town to claims rather than the contracted service provider.

Recommendation: We recommend the Town establish a policy designating an individual with the responsibility of updating the annual proof of insurance for each service contract outstanding.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town discloses this information in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. 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.

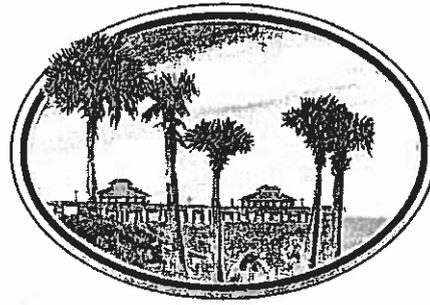
Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Commissioners, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Fort Myers, Florida
June 1, 2009



Town of Fort Myers Beach

To: W. Scott Janke, Town Manager
Martin Redovan, LarsonAllen, LLP

From: Evelyn Wicks, Director of Finance

Date: June 1, 2009

Re: Management letter for year ending 9/30/08--Town of Fort Myers Beach

Current Year Comments

IC 2008-01 Financial Reporting Process

Town management is responsible for establishing and maintaining internal controls, including monitoring and for the fair presentation of the financial statements in accordance with applicable accounting and reporting standards. As part of the audit, management requested that the external auditing firm prepare a draft of the financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to issuance.

Management's Response

The Town has a very limited accounting staff, some items that would normally be developed by the staff is often delegated to outside firms. In the budget process for the upcoming year, the Town has included funds to hire an accounting professional to make quarterly and year-end adjustments; prepare the draft financial statements and make necessary changes, additions and subtractions to the financial statements and related notes.

IC 2008-02 Current Year Audit Adjustments

Town management is responsible for establishing and maintaining internal controls for the proper recording of all the Town's receipts and disbursements, including reclassifications between funds, year-end accruals and activity of all cash and investment accounts. As part of the audit, the Town's external auditing firm proposed audit adjustments to revise the Town's books at year-end. These adjustments involved the recording of accruals, reclassifications of revenues and disbursements to the proper accounts, fund balance reclassifications, and the capitalizing of capital asset purchases.

Management's Response

The Town has a very limited accounting staff, some items that would normally be developed by the staff is often delegated to outside firms. In the budget process for the upcoming year, the Town has included funds to hire an accounting professional to prepare year-end adjustments, verify revenues and disbursements. In addition, The Town is developing a system of identifying all capital assets and through the course of the next several years, each Town owned capital asset will be identified, tagged and tracked.

08-03

Control procedures performed by management to prevent or detect material misstatements should be physically verifiable as evidenced by initial or sign off when possible, by the member of management who performs the review. In our review of manual journal entries made by the Finance Coordinator we noted the Director of Finance does not evidence her review with an initial or other form of sign off that is physically verifiable.

Management's Response

Presently, all manual journal entries are retained in the Director's office. In the future the Director shall initial to indicate that each entry has been reviewed and approved.

08-04

The Town contracts with several service providers to perform services such as pool management, parking management, waste disposal, and management of the mooring field. All service providers are contractually obligated to maintain a certain level of insurance coverage when performing services to the Town. In our review of several service contracts we noted that the Town does not obtain, and maintain on file, annual proof of insurance from contracted service providers beyond the first year of the contract.

Management's Response

The Town will develop an annual update list to verify and obtain current insurance certificates for all contracted services.

Prior Year Comments

05-05

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

Management's Response

Palmetto/Easy Street assessments remain active and property owners continue to make payments as required. The town anticipates a number of new special assessment projects in future years. Any new special assessment projects will be invoiced and collected by Lee County.

04-02

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

Management's Response

In prior years, Times Square has been reported as a separate fund. The current accumulated fund deficit is a result of assessments and other billings not being sufficient to cover expenditures for prior years. This fund balance will be absorbed by the General Fund. The program activities are a function of the Public Works Department. Accordingly, the fund will be transferred and become a division of the Public Works Department in FY2010.