

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Town Council,  
and Town Manager  
Town of 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, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. 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 of Fort Myers Beach, Florida as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Gas Tax Fund and Beach Access 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 March 14, 2013, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fort Myers Beach, Florida's financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 14, 2013

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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The discussion and analysis of the Town of Fort Myers Beach, Florida's (the "Town") 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, 2012.

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, 2012, the assets of the Town exceeded its liabilities by \$33,854,931 (net assets). Of this amount, \$7,162,465 of unrestricted net assets may be used to meet the Town's ongoing obligations. The Town has restricted \$400,000 for future capital improvements and deferred maintenance for the Bay Oaks Recreation Center. The remaining restricted assets are to be used for special purposes. The net asset detail is listed below:

Invested in capital assets	\$	21,096,830
Restricted for		
Parks and recreation		400,000
Parks and recreation impact fees		417,401
Old San Carlos		122,718
Transportation		2,738,887
Road impact fees		648,406
Beach		1,268,224
Unrestricted		
General		3,373,236
Water utility		3,789,229

- The Town's total net assets increased by \$1,423,752. The change in net assets is primarily due to increases in current assets and the Town's investment in capital assets.
- The Town's Governmental Funds reported combined ending fund balances of \$9,037,068 as of September 30, 2012. This is an increase of \$349,220 from the restated September 30, 2011 ending fund balances.
- The Town's General Fund, Gas Tax Fund, Beach Access Fund, CRA Fund and Water Utility Fund were restated due to changes in reporting, accounts receivable, interfund transactions and grant revenues incorrectly reported as of September 30, 2011.

**USING THE BASIC FINANCIAL STATEMENTS**

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

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Statement of Net Assets and the Statement of Activities 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 is 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 2012 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:

1. 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.
2. Business-type activities—This column includes the water utility enterprise fund. Prior to FY 2012, the water utility was a blended component unit. On October 1, 2011, the water utility was converted to an enterprise fund within the Town's accounting system. This fund 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 report by fund type. 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 in the basic financial statements 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:

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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.

**GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements were designed so that the user can determine if the Town 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, 2012 and 2011:

<b>Town of Fort Myers Beach, Florida Summary of Net Assets</b>						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 9,412,612	\$ 8,912,601	\$ 4,793,665	\$ 3,740,993	\$ 14,206,277	\$ 12,653,594
Capital assets	19,856,733	19,796,806	3,220,097	3,083,180	23,076,830	22,879,986
Total assets	\$ 29,269,345	\$ 28,709,407	\$ 8,013,762	\$ 6,824,173	\$ 37,283,107	\$ 35,533,580
Current and other liabilities	\$ 347,846	\$ 224,753	\$ 1,004,436	\$ 630,122	\$ 1,352,282	\$ 854,875
Non-current liabilities	95,894	87,526	1,980,000	2,160,000	2,075,894	2,247,526
Total Liabilities	\$ 443,740	\$ 312,279	\$ 2,984,436	\$ 2,790,122	\$ 3,428,176	\$ 3,102,401
Net assets						
Invested in capital assets						
net of related debt	\$ 19,856,733	\$ 20,288,835	\$ 1,240,097	\$ 923,180	\$ 21,096,830	\$ 21,212,015
Restricted	5,595,636	400,000	-	-	5,595,636	400,000
Unrestricted	3,373,236	7,708,293	3,789,229	3,110,871	7,162,465	10,819,164
Total Net assets	\$ 28,825,605	\$ 28,397,128	\$ 5,029,326	\$ 4,034,051	\$ 33,854,931	\$ 32,431,179

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

1. For governmental activities net assets, \$19,856,733, or 69%, represents the amount invested in capital assets, less the outstanding debt used to acquire those assets. Several expense accounts were reclassified from construction in progress to maintenance items which resulted in a decrease in capital assets. 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.
2. Unrestricted net assets account for 21% of the Town's total net assets. 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:

	<b>Town of Fort Myers Beach, Florida Summary of Changes in Net Assets</b>					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,203,455	\$ 1,069,259	\$ 3,945,191	\$ 4,270,193	\$ 5,148,646	\$ 5,339,452
Operating grants and contributions	394,773	584,724	-	-	394,773	584,724
Capital grants and contributions	266,550	511,188	-	-	266,550	511,188
General revenues						
Property taxes	2,014,992	2,330,151	-	-	2,014,992	2,330,151
Gas taxes	323,944	332,717	-	-	323,944	332,717
Half cent sales tax	429,701	444,689	-	-	429,701	444,689
Franchise fees	463,135	80,967	-	-	463,135	80,967
Communications services taxes	687,333	687,159	-	-	687,333	687,159
State revenue sharing	115,751	527,964	-	-	115,751	527,964
Impact fees	45,390	43,426	-	-	45,390	43,426
Investment earnings	162,524	192,745	3,756	4,843	166,280	197,588
Miscellaneous	80,877	45,957	-	-	80,877	45,957
Total revenues	<u>6,188,425</u>	<u>6,850,946</u>	<u>3,948,947</u>	<u>4,275,036</u>	<u>10,137,372</u>	<u>11,125,982</u>
<b>Expenses</b>						
Program expenses						
Governmental activities						
General government	2,960,603	3,081,189	-	-	2,960,603	3,081,189
Public safety	-	-	-	-	-	-
Physical environment	271,684	254,613	-	-	271,684	254,613
Transportation	1,418,023	1,351,239	-	-	1,418,023	1,351,239
Economic environment	6,344	11,407	-	-	6,344	11,407
Culture/recreation	1,103,294	1,162,585	-	-	1,103,294	1,162,585
Business-type activities						
Water Utility	-	-	2,953,672	2,881,672	2,953,672	2,881,672
Total expenses	<u>5,759,948</u>	<u>5,861,033</u>	<u>2,953,672</u>	<u>2,881,672</u>	<u>8,713,620</u>	<u>8,742,705</u>
Increase (decrease) in net assets	428,477	989,913	995,275	1,393,364	1,423,752	2,383,277
Net assets, beginning, restated	<u>28,397,128</u>	<u>27,407,215</u>	<u>4,034,051</u>	<u>2,640,687</u>	<u>32,431,179</u>	<u>30,047,902</u>
Net assets, ending	<u>\$ 28,825,605</u>	<u>\$ 28,397,128</u>	<u>\$ 5,029,326</u>	<u>\$ 4,034,051</u>	<u>\$ 33,854,931</u>	<u>\$ 32,431,179</u>

Total revenues decreased by \$988,610 or 9% in comparison to the prior year. The majority of the decrease is based on grant revenue scheduled and received in prior years. All other revenue sources are consistent and within expected ranges.

Total expenses decreased by \$29,085 or .3% in comparison to the prior year.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**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 \$5.8 million, consistent with the \$5.9 million for fiscal 2011. As show in the Statement of Activities, the earnings from governmental activities were \$3.3 million for 2011 compared to a net cost of \$3.9 million for 2012. Revenues contributing to earnings from governmental activities consisted of:

- Approximately \$1,203,455 in charges for services of which there was approximately \$7,942 in revenue from fines and forfeitures, approximately \$447,477 from parking facilities revenues, \$77,202 for harborage usage fees, \$146,204 from parks and recreational fees with the remainder from various fees for general government service.
- Approximately \$394,773 in operating grants and contributions. These operating grants include donations from the public and grants from the Tourist Development Council and the West Coast Inland Navigation District for beach access maintenance.
- Approximately \$266,550 in capital grants and contributions, which is mainly comprised of grants from the Tourist Development Council and West Coast Inland Navigation District for Mound House projects and Laguna Shores Dredging project.

**Town of Fort Myers Beach  
Governmental Activities**

	Total Cost of Services		Net Cost (Earnings) of Services	
	2012	2011	2012	2011
General government	\$ 2,960,603	\$ 3,081,189	\$ 2,419,360	\$ 2,665,598
Physical environment	271,684	254,613	226,587	254,613
Transportation	1,418,023	1,351,239	949,864	292,679
Economic environment	6,344	11,407	(69,763)	(83,573)
Culture/recreation	1,103,294	1,162,585	369,122	121,856
Totals	<u>\$ 5,759,948</u>	<u>\$ 5,861,033</u>	<u>\$ 3,895,170</u>	<u>\$ 3,251,173</u>

**Business-type Activities**

Revenues of the Town's business-type activities totaled \$3,948,947 and \$4,141,327 for 2012 and 2011, respectively. Operating expenses totaled \$2,953,672 and \$2,881,672 for 2012 and 2011, respectively. The increase in net assets was \$995,275 and \$1,259,655 for 2012 and 2011, respectively.

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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**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, unassigned fund balance of the General Fund was \$2,990,685, an increase of \$191,191.

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 \$2,738,887 all of which is dedicated to road improvements and transportation related items.

The *Beach Access Fund* is grant monies used for beach access maintenance. This fund has a total fund balance of \$184,569 all restricted for beach maintenance.

The *CRA Fund*, a blended component unit of the Town, accounts for redevelopment projects. This fund has a negative fund balance of \$119,395 as of September 30, 2012.

The *Capital Projects Fund* is maintained by transfers from the General Fund and other special revenue funds. Capital outlay of \$312,105 was expended in the current year.

All other governmental funds are accounted for in the *Nonmajor 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**

Revenue budget-to-actual in the General Fund resulted in a \$141,507, or 3.0%, positive revenue variance.

Budget-to-actual expenditures show a \$413,130 positive variance (actual less than final budget). This decrease was consistent throughout all departments and reflects the continued efforts to reduce costs in the current year.

A more detailed analysis of the General Fund budget comparison can be found in the basic financial statements section.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

<b>Town of Fort Myers Beach Capital Assets (net of depreciation)</b>						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 9,957,688	\$ 9,957,688	\$ 305,000	\$ 305,000	\$ 10,262,688	\$ 10,262,688
Buildings and leasehold improvements	2,051,909	2,096,050	-	-	2,051,909	2,096,050
Improvements other than buildings	27,750	16,568	-	-	27,750	16,568
Office furniture and equipment	102,050	100,985	-	-	102,050	100,985
Vehicles and other equipment	489,497	561,355	-	-	489,497	561,355
Infrastructure	3,868,142	4,005,936	2,634,589	2,756,113	6,502,731	6,762,049
Construction in progress	3,359,697	3,550,253	280,508	22,067	3,640,205	3,572,320
<b>Total capital assets</b>	<b>\$ 19,856,733</b>	<b>\$ 20,288,835</b>	<b>\$ 3,220,097</b>	<b>\$ 3,083,180</b>	<b>\$ 23,076,830</b>	<b>\$ 23,372,015</b>

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, 2012 and 2011, the Town had \$2,075,894 and \$2,247,526 respectively, in long-term liabilities. The following table provides a breakdown:

<b>Town of Fort Myers Beach Outstanding Debt</b>						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Note payable	\$ -	\$ -	\$ 1,980,000	\$ 2,160,000	\$ 1,980,000	\$ 2,160,000
Compensated absences	95,894	87,526	-	-	95,894	87,526
<b>Total long-term liabilities</b>	<b>\$ 95,894</b>	<b>\$ 87,526</b>	<b>\$ 1,980,000</b>	<b>\$ 2,160,000</b>	<b>\$ 2,075,894</b>	<b>\$ 2,247,526</b>

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 mainly 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.

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following factors were considered in preparing the Town's budget for the 2013 fiscal year:

- National economic trends continue to indicate low growth in the economy with above average unemployment and low consumer confidence. The Town's elected officials and administration will continue to monitor the local and national economy in preparation of the 2013 Budget.
- The Town is planning significant investment in infrastructure in the water utility.
- Continuation of the Town's sound financial and operational philosophies will guide the development of future budgets.

**Requests for Information**

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,288,047	\$ 3,586,352	\$ 6,874,399
Investments	5,202,145	-	5,202,145
Due from other governments	723,059	90,894	813,953
Receivables, net	131,224	839,730	970,954
Prepaid expenses	68,137	-	68,137
Restricted cash	-	276,689	276,689
Capital assets			
Land	9,957,688	305,000	10,262,688
Buildings and improvements	2,774,638	457,650	3,232,288
Improvements other than buildings	94,799	-	94,799
Office furniture and equipment	610,919	61,116	672,035
Vehicles and other equipment	1,363,745	95,104	1,458,849
Infrastructure	4,310,885	4,477,926	8,788,811
Construction in progress	3,359,697	280,507	3,640,204
Accumulated depreciation	(2,615,638)	(2,457,206)	(5,072,844)
<b>Total Assets</b>	<b>\$ 29,269,345</b>	<b>\$ 8,013,762</b>	<b>\$ 37,283,107</b>
<b>Liabilities</b>			
Accounts payable	\$ 347,846	\$ 460,883	\$ 808,729
Customer refunds payable	-	7,061	7,061
Due to other governments	-	259,803	259,803
Payable from restricted assets:			
Deposits	-	276,689	276,689
Noncurrent liabilities			
Due within one year	89,181	1,980,000	2,069,181
Due in more than one year	6,713	-	6,713
Total liabilities	443,740	2,984,436	3,428,176
<b>Net Assets</b>			
Invested in capital assets, net of related debt	19,856,733	1,240,097	21,096,830
Restricted for			
Parks and recreation	817,401	-	817,401
Old San Carlos capital projects	122,718	-	122,718
Transportation	3,387,293	-	3,387,293
Beach renourishment	1,268,224	-	1,268,224
Unrestricted	3,373,236	3,789,229	7,162,465
Total net assets	<b>\$ 28,825,605</b>	<b>\$ 5,029,326</b>	<b>\$ 33,854,931</b>

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



**TOWN OF FORT MYERS BEACH, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	<u>General</u>	<u>Gas Tax</u>	<u>Beach Access</u>	<u>Capital Projects</u>	<u>CRA</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Cash and cash equivalents	\$ 1,406,582	\$ 846,637	\$ 20,778	\$ -	\$ 137,246	\$ 876,804	\$ 3,288,047
Investments	3,600,934	1,601,211	-	-	-	-	5,202,145
Taxes receivable	76,781	-	-	-	-	-	76,781
Special assessments and other receivables	42,372	-	-	7,637	-	4,434	54,443
Prepaid items	68,137	-	-	-	-	-	68,137
Due from other funds	277,070	270,793	-	-	-	-	547,863
Due from other governments	138,734	26,211	351,313	206,801	-	-	723,059
<b>Total Assets</b>	<b>\$ 5,610,610</b>	<b>\$ 2,744,852</b>	<b>\$ 372,091</b>	<b>\$ 214,438</b>	<b>\$ 137,246</b>	<b>\$ 881,238</b>	<b>\$ 9,960,475</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 216,990	\$ 5,965	\$ 13,150	\$ 111,741	\$ -	\$ -	\$ 347,846
Due to other funds	14,153	-	174,372	102,697	256,641	-	547,863
Deferred revenue	27,698	-	-	-	-	-	27,698
<b>Total liabilities</b>	<b>258,841</b>	<b>5,965</b>	<b>187,522</b>	<b>214,438</b>	<b>256,641</b>	<b>-</b>	<b>923,407</b>
<b>Fund balances</b>							
Nonspendable							
Prepaid items	68,137	-	-	-	-	-	68,137
Restricted							
Parks and recreation	400,000	-	184,569	-	-	232,832	817,401
Old San Carlos capital projects	122,718	-	-	-	-	-	122,718
Transportation	-	2,738,887	-	-	-	648,406	3,387,293
Beach renourishment	1,268,224	-	-	-	-	-	1,268,224
Assigned							
Emergency	502,005	-	-	-	-	-	502,005
Unassigned	2,990,685	-	-	-	(119,395)	-	2,871,290
<b>Total fund balances</b>	<b>5,351,769</b>	<b>2,738,887</b>	<b>184,569</b>	<b>-</b>	<b>(119,395)</b>	<b>881,238</b>	<b>9,037,068</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,610,610</b>	<b>\$ 2,744,852</b>	<b>\$ 372,091</b>	<b>\$ 214,438</b>	<b>\$ 137,246</b>	<b>\$ 881,238</b>	<b>\$ 9,960,475</b>

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET-  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012**

<b>Fund Balances–Total Governmental Funds</b>	\$	\$ 9,037,068
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
Governmental capital assets	22,472,371	
Accumulated depreciation	<u>(2,615,638)</u>	19,856,733
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
		27,698
<p>Noncurrent liabilities, are not due and payable in the current period and therefore, are not reported in the funds.</p>		
Compensated absences		<u>(95,894)</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 28,825,605</u></u>

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	General	Gas Tax	Beach Access	Capital Projects	CRA	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes							
Property	\$ 1,987,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,987,294
Gas	-	323,944	-	-	-	-	323,944
Franchise	463,135	-	-	-	-	-	463,135
Communication services	687,333	-	-	-	-	-	687,333
Local business	10,311	-	-	-	-	-	10,311
Licenses and permits	381,520	-	-	-	-	-	381,520
Intergovernmental revenues	689,082	11,645	351,313	202,953	-	-	1,254,993
Charges for services	755,464	-	-	-	-	-	755,464
Fines and forfeitures	7,942	-	-	-	-	-	7,942
Miscellaneous							
Special assessment/impact fees	9,690	-	-	53	-	35,647	45,390
Interest	110,613	51,151	-	-	83	677	162,524
Other	80,877	-	-	-	-	-	80,877
Total revenues	<u>5,183,261</u>	<u>386,740</u>	<u>351,313</u>	<u>203,006</u>	<u>83</u>	<u>36,324</u>	<u>6,160,727</u>
<b>Expenditures</b>							
Current							
General government	2,823,884	-	62,850	-	768	-	2,887,502
Physical environment	260,036	-	10,909	-	-	-	270,945
Transportation	1,131,173	158,141	10,603	-	-	4,023	1,303,940
Culture/recreation	933,328	-	101,420	-	-	2,267	1,037,015
Capital outlay	-	-	-	312,105	-	-	312,105
Total expenditures	<u>5,148,421</u>	<u>158,141</u>	<u>185,782</u>	<u>312,105</u>	<u>768</u>	<u>6,290</u>	<u>5,811,507</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>34,840</u>	<u>228,599</u>	<u>165,531</u>	<u>(109,099)</u>	<u>(685)</u>	<u>30,034</u>	<u>349,220</u>
<b>Other financing sources (uses)</b>							
Transfers in	174,426	-	8,841	109,153	-	-	292,420
Transfers out	(51,415)	(66,579)	(174,372)	(54)	-	-	(292,420)
Total other financing sources (uses)	<u>123,011</u>	<u>(66,579)</u>	<u>(165,531)</u>	<u>109,099</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in fund balances</b>	<u>157,851</u>	<u>162,020</u>	<u>-</u>	<u>-</u>	<u>(685)</u>	<u>30,034</u>	<u>349,220</u>
<b>Fund balances, beginning of year, restated</b>	<u>5,193,918</u>	<u>2,576,867</u>	<u>184,569</u>	<u>-</u>	<u>(118,710)</u>	<u>851,204</u>	<u>8,687,848</u>
<b>Fund balances, end of year</b>	<u>\$ 5,351,769</u>	<u>\$ 2,738,887</u>	<u>\$ 184,569</u>	<u>\$ -</u>	<u>\$ (119,395)</u>	<u>\$ 881,238</u>	<u>\$ 9,037,068</u>

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

**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  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<b>Net Change in Fund Balances–Total Governmental Funds</b>	\$		\$ 349,220
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.</p>			
Capital outlay		482,108	
Less current year depreciation		<u>(422,181)</u>	59,927
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>			
Change in compensated absences			(8,368)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
			<u>27,698</u>
<b>Change in Net Assets of Governmental Activities</b>			<u><u>\$ 428,477</u></u>

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance With Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Taxes				
Property taxes	\$ 2,057,381	\$ 2,057,381	\$ 1,987,294	\$ (70,087)
Franchise taxes	477,376	477,376	463,135	(14,241)
Communications services tax	617,759	617,759	687,333	69,574
Local business	1,000	1,000	10,311	9,311
Licenses and permits	231,598	231,598	381,520	149,922
Intergovernmental	714,289	714,289	689,082	(25,207)
Charges for services	741,821	741,821	755,464	13,643
Fines and forfeitures	50,000	50,000	7,942	(42,058)
Miscellaneous				
Special assessment/impact fees	-	-	9,690	9,690
Interest	80,530	80,530	110,613	30,083
Other	70,000	70,000	80,877	10,877
Total revenues	<u>5,041,754</u>	<u>5,041,754</u>	<u>5,183,261</u>	<u>141,507</u>
<b>Expenditures</b>				
Current				
General government	2,817,183	2,817,183	2,823,884	(6,701)
Physical environment	392,278	392,278	260,036	132,242
Transportation	1,237,185	1,237,185	1,131,173	106,012
Culture and recreation	1,114,905	1,114,905	933,328	181,577
Total expenditures	<u>5,561,551</u>	<u>5,561,551</u>	<u>5,148,421</u>	<u>413,130</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(519,797)</u>	<u>(519,797)</u>	<u>34,840</u>	<u>554,637</u>
<b>Other financing sources</b>				
Transfers in	540,527	540,527	174,426	(366,101)
Transfers out	(110,000)	(110,000)	(51,415)	58,585
Total other financing sources	<u>430,527</u>	<u>430,527</u>	<u>123,011</u>	<u>(307,516)</u>
<b>Change in fund balance</b>	(89,270)	(89,270)	157,851	247,121
<b>Fund balance, beginning of year, restated</b>	<u>5,193,918</u>	<u>5,193,918</u>	<u>5,193,918</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 5,104,648</u>	<u>\$ 5,104,648</u>	<u>\$ 5,351,769</u>	<u>\$ 247,121</u>

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL  
GAS TAX FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget— Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes				
Gas taxes	\$ 399,797	\$ 399,797	\$ 323,944	\$ (75,853)
Intergovernmental	-	-	11,645	11,645
Interest	-	-	51,151	51,151
Total revenues	<u>399,797</u>	<u>399,797</u>	<u>386,740</u>	<u>(13,057)</u>
<b>Expenditures</b>				
Current:				
General government	469,135	469,135	-	469,135
Total expenditures	<u>469,135</u>	<u>469,135</u>	<u>158,141</u>	<u>310,994</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(69,338)</u>	<u>(69,338)</u>	<u>228,599</u>	<u>297,937</u>
<b>Other financing sources</b>				
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(66,579)</u>	<u>183,421</u>
Total other financing sources	<u>(250,000)</u>	<u>(250,000)</u>	<u>(66,579)</u>	<u>183,421</u>
<b>Change in fund balance</b>	(319,338)	(319,338)	162,020	481,358
<b>Fund balance, beginning of year, restated</b>	<u>2,576,867</u>	<u>2,576,867</u>	<u>2,576,867</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,257,529</u>	<u>\$ 2,257,529</u>	<u>\$ 2,738,887</u>	<u>\$ 481,358</u>

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL  
BEACH ACCESS FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget— Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 450,635	\$ 450,635	\$ 351,313	\$ (99,322)
Total revenues	<u>450,635</u>	<u>450,635</u>	<u>351,313</u>	<u>(99,322)</u>
<b>Expenditures</b>				
Current				
General government	220,278	220,278	62,850	157,428
Physical environment	24,000	24,000	10,909	13,091
Transportation	30,257	30,257	10,603	19,654
Culture/recreation	<u>176,100</u>	<u>176,100</u>	<u>101,420</u>	<u>74,680</u>
Total expenditures	<u>450,635</u>	<u>450,635</u>	<u>185,782</u>	<u>264,853</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>165,531</u>	<u>165,531</u>
<b>Other financing sources</b>				
Transfers in	-	-	8,841	8,841
Transfers out	<u>-</u>	<u>-</u>	<u>(174,372)</u>	<u>(174,372)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>(165,531)</u>	<u>(165,531)</u>
<b>Change in fund balance</b>	-	-	-	-
<b>Fund balance, beginning of year, restated</b>	<u>184,569</u>	<u>184,569</u>	<u>184,569</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 184,569</u>	<u>\$ 184,569</u>	<u>\$ 184,569</u>	<u>\$ -</u>

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
SEPTEMBER 30, 2012**

	<b>Business-type Activities- Enterprise Fund Water</b>
<b>Assets</b>	
Current assets	
Cash	\$ 3,586,352
Receivables, net	839,730
Due from other governments	90,894
Total current assets	4,516,976
Noncurrent assets	
Restricted cash	276,689
Capital assets, net	3,220,097
Total noncurrent assets	3,496,786
<b>Total Assets</b>	\$ 8,013,762
<b>Liabilities</b>	
Current liabilities	
Payable from current assets	
Accounts payable	\$ 460,883
Customer refunds payable	7,061
Due to other governments	259,803
Note payable	1,980,000
Total payable from current assets	2,707,747
Current liabilities payable from restricted assets	
Customer deposits	276,689
Total current liabilities	2,984,436
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,240,097
Unrestricted	3,789,229
Total net assets	5,029,326
<b>Total Liabilities and Net Assets</b>	\$ 8,013,762

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<b>Business-type Activities- Enterprise Fund Water</b>
<b>Operating revenues</b>	
Water utility revenue	\$ 3,945,191
<b>Operating expenses</b>	
Bulk water	1,464,406
Management fees	467,083
Depreciation expense	283,631
Repairs and maintenance	318,747
Salaries and benefits	48,370
Insurance	80,000
Administrative expense	93,121
Power	39,400
Professional services	23,620
Other operating supplies and expenses	45,093
Miscellaneous expenses	3,123
Office expenses	27,044
Total operating expenses	2,893,638
<b>Operating income</b>	1,051,553
<b>Nonoperating revenues (expenses)</b>	
Interest income	3,756
Interest expense	(60,034)
Total nonoperating revenues (expenses)	(56,278)
<b>Changes in net assets</b>	995,275
<b>Total net assets, beginning of year, restated</b>	4,034,051
<b>Total net assets, end of year</b>	\$ 5,029,326

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<b>Business-type Activities– Enterprise Fund Water and Sewer</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 3,758,477
Cash paid to suppliers	(2,207,883)
Cash paid to employees	(48,370)
Net cash provided by operating activities	1,502,224
<b>Cash flows from capital and related financing activities</b>	
Principal payments on loans and bonds	(180,000)
Interest paid	(60,034)
Acquisition and construction of capital assets	(420,548)
Net cash used in capital and related financing activities	(660,582)
<b>Cash flows from investing activities</b>	
Interest received	3,756
<b>Net increase in cash and cash equivalents</b>	845,398
<b>Cash and cash equivalents, beginning of year</b>	3,017,643
<b>Cash and cash equivalents, end of year</b>	\$ 3,863,041
<b>Reconciliation of cash and cash equivalents to statement of net assets</b>	
Cash and cash equivalents	\$ 3,586,352
Restricted cash	276,689
Total cash and cash equivalents	\$ 3,863,041
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 1,051,553
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	283,631
Decrease (increase) in assets:	
Accounts receivable	(187,731)
Due from other governments	(19,543)
Increase (decrease) in liabilities	
Accounts payable	398,386
Due to other governments	(44,632)
Customer refunds payable	(2,376)
Customer deposits	22,936
Net cash provided by operating activities	\$ 1,502,224

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

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**(1) Summary of Significant Accounting Policies:**

The financial statements of the Town of Fort Myers Beach, Florida, (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**(a) Reporting entity**—The Town of Fort Myers Beach, Florida, 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) as amended, 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 to emphasize that it is legally separate from the primary government.

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. 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 is presented as a blended component unit within the Town's financial statements as a major Special Revenue Fund. The CRA does not publish individual component unit financial statements.

**Government-wide and Fund Financial Statements**—The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the Town's governmental activities and business-type activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The statement of net assets includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town's capital assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town reports the following major governmental funds:

The ***General Fund*** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Gas Tax Fund (Special Revenue Fund)*** accounts for gas taxes and other resources restricted for road related projects.

The ***Beach Access Fund (Special Revenue Fund)*** accounts for tourist development taxes restricted for beach accessibility projects.

The ***Capital Projects Fund*** is used to account for funds and other resources used for the acquisition and/or construction of major capital facilities.

The ***Community Redevelopment Agency Fund (Special Revenue Fund)*** is used to account for funds and other resources used for to finance and redevelop the City's designated redevelopment areas.

The Town reports the following major proprietary fund:

The ***Water Fund*** accounts for the activities of the water distribution system.

The Town also reports the following fund types within the non-major governmental funds:

***Special Revenue Funds*** account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

**(b) Measurement focus, basis of accounting and financial statement presentation**—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues, except intergovernmental revenues, to be available if they are collected within sixty days of the end of the current fiscal period. Intergovernmental revenues are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term debt, compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses and permits, intergovernmental revenue, charges for services, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if availability criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

In accordance with GASB Statement No. 33, “Accounting and Financial Reporting for Non-exchange Transactions,” the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town’s water function and various other functions of the Town. Elimination of these charges would distort the direct costs reported for the various functions concerned.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**(c) Budgets**—The Town follows the procedures enumerated below in establishing the legally adopted budgetary data reflected in the fund financial statements.

1. On or before July 15 of each year, the Town Manager is to submit to the Town Council a proposed operating budget, including a Town Manager's message explaining the budget, for the fiscal year commencing the following October 1. The operating budget will include a complete financial plan of all Town funds and activities for the ensuing fiscal year.
2. The Town Council shall publish in one or more newspapers of general circulation the time and place of public hearings. Public hearings are then conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution required by Town Charter and as required by the State of Florida.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget amounts, as shown in the fund financial statements, are as originally adopted and as finally amended by the Town Council. If, during the fiscal year, additional revenues become available for appropriation in excess of those estimated in the budget, the Town Council may make supplemental appropriations by resolution for the year up to the amount of such excess. There were no supplemental appropriations during the year.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

6. The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. The Town 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.
  
7. No budget was adopted for the CRA Fund.

**(d) Cash and Investments**—Cash consists of amounts in demand deposits and certificates of deposit. Investments consist of amounts on deposit with the Florida State Board of Administration's Florida Prime and Fund B Pools and with the Florida Municipal Investment Trust.

The Town's investment policy follows section 218.415 of the Florida Statutes and allows management to invest any surplus funds in its control in the following:

1. The Florida State Board of Administration's SBA Florida Prime and SBA Fund B;
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.

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.

SBA Florida Prime meets the criteria of a Rule 2a-7 like pool; therefore the market funds maintains a constant net asset value (NAV) of \$1.00 per share. SBA Fund B does not meet the criteria of a Rule 2a-7 like pool; therefore a fair value factor is used to calculate the fair value of the investment.

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.

Customer deposit resources in the Water Fund are restricted to the payment of customer's deposits as they become due.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

**(e) Receivables**—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. In the Water Fund, revenues and receivables are accrued for services provided to customers even if the customers have not yet been billed.

**(f) Interfund transactions**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**(g) Prepaid items**— Payments made to vendors for services that will benefit periods beyond September 30, 2012, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

**(h) Restricted assets**—Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents set aside repayment of deposits to utility customers.

**(i) Capital assets**—Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) and are reported in the governmental activities column in the government-wide financial statements. As permitted by GASB No. 34, the Town has elected not to report infrastructure assets retroactively.

Capital assets are recorded at cost if purchased or constructed. Donated 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.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings and improvements	10 – 40
Leasehold improvements	10
Equipment	5 – 10
Computer equipment	3 – 10
Furniture	3 – 10
Vehicles and rolling stock	3 – 10
Distribution lines	15
Booster stations	25
North Estero	30
Generators	10

**(j) Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**(j) 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). In governmental fund types, the cost of vacation pay is recognized when payments are made to employees or when matured, as a result of employee resignation or retirement. The accumulated compensated absences are accrued when incurred in the government-wide financial statements for both the current and long-term portions. Medical leave is not recorded in the financial statements because sick leave is not vested.

**(l) Fund equity**—Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

**Fund balance**—Generally, fund balance represents the difference between current assets and current liabilities in financial statements using the current resource measurement focus. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable**—Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e. items that are not expected to be converted to cash such as prepaid items) or (b) legally or contractually required to be maintained intact.

**Restricted**—Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Committed**—Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of a resolution or ordinance. Only the Town Council may modify or rescind the commitment. These self-imposed limitations must be set in place prior to the end of the fiscal year.

**Assigned**—Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is stipulated by the Town Council or an official for whom that authority has been given by Town Council. The Town Manager has the authority to assign fund balance. With the exception of the General Fund, amounts in all other governmental funds that are not *nonspendable, restricted, or committed* will be considered to be *assigned*. Also, at fiscal year end, any appropriation of existing fund balance to eliminate a projected budgetary deficit in the next year’s budget is considered to be an assignment of fund balance.

**Unassigned**—Fund balances reported as unassigned are the residual amount of balances that do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

**Net assets**—Net assets represent the difference between assets and liabilities in reporting units using the economic resource measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Flow Assumptions**—When both restricted and unrestricted amounts of fund balance/net assets are available for use for expenditures/expenses incurred, it is the Town’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

**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 and meet availability criteria. 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.

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

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

**(m) Use of estimates**—The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(2) Deficit Fund Balance:**

The CRA Special Revenue Fund has a deficit of \$119,395. This will be funded with interfund transfers.

**(3) Cash Deposits and Investments:**

**Cash, Governmental Activities**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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 non-negotiable certificates of deposit.

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% of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the Town is not exposed to custodial credit risk.

*Investments*

As of September 30, 2012, the Town has the following investments:

<u>Investment Type</u>	<u>Percent of Portfolio</u>	<u>Fair Value</u>
Florida Municipal Investment Trust (FMIT)	92.88%	\$ 4,831,537
SBA Florida PRIME	7.03%	365,726
SBA Fund B	0.09%	4,882
		<u>\$ 5,202,145</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**(3) Cash Deposits and Investments:** (Continued)

The FMIT is an external investment pool. The FMIT meets the criteria of a Rule 2a-7 like pool and the investments are valued using the account balance which is stated at amortized cost. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. 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. The Town's investment at FMIT is in the Intermediate High Quality Bond Fund. This fund was rated AAA/V3 by Fitch Ratings as of September 30, 2012. 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. The weighted average days to maturity (WAM) of the FMIT Intermediate High Quality Bond Fund at September 30, 2012 was 3.30 years.

The Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc., is an interlocal governmental entity created under the laws of the State of Florida. The FMIVT is an Authorized Investment under Sec. 163.01 Florida Statutes.

The Florida State Board of Administration's (SBA) Florida PRIME formerly known as the Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP) meets the criteria of a Rule 2a-7 like pool and the investments are valued using the account balance which is stated at amortized cost. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2012 was 39 days. The Florida PRIME is rated by Standard & Poor's. The current rating is AAAM.

The SBA Fund B is accounted for as a fluctuating net asset value (NAV) pool. The fair value factor for Fund B for September 30, 2012 was .94896811. The weighted average life (WAL) of Fund B at September 30, 2012 was 4.08 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. Fund B has not participated in a securities lending program in the fiscal year ending September 30, 2012. Fund B is not rated by any nationally recognized statistical rating agency.

The SBA Florida Prime and SBA Fund B Pools are administered by the State Board of Administration under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

**(4) Receivables:**

Receivables at September 30, 2012, for the Town's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<b>Gross Receivables</b>	<b>Less Allowance for Doubtful Accounts</b>	<b>Receivable, Net</b>
Government activities			
General Fund			
Taxes receivable	\$ 76,781	-	\$ 76,781
Special assessments	27,698	-	27,698
General Fund:			
Accounts receivable	14,674	-	14,674
Capital Projects Fund			
Accounts receivable	7,637	-	7,637
(Non-major funds			
Accounts receivable	4,434	-	4,434
	\$ 131,224	-	\$ 131,224
Business-type activities			
Water Fund	\$ 870,092	\$ 30,362	\$ 839,730
Total	\$ 870,092	\$ 30,362	\$ 839,730

**(5) Due From Other Governments:**

Amounts due from other governments include the following:

Primary Government	Amount
General Fund	
Lee County, Florida	\$ 42,580
State of Florida	96,154
	\$ 138,734
Gas Tax Fund	
State of Florida	\$ 26,211
Beach Access Fund	
Lee County Visitor and Convention Bureau	\$ 351,313
Capital Projects Fund	
Lee County, Florida	\$ 206,801
Water Fund	
Lee County, Florida	\$ 90,894

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**(6) Restricted Assets:**

Restricted assets represent funds restricted for the following purposes at September 30, 2012:

General Fund	
Recreation center	\$ 400,000
Water Fund	
Customer deposits	\$ 276,689

**(7) Interfund Transactions:**

At September 30, 2012, the Town had the following due to/from other funds:

	<b>Due From Other Funds</b>	<b>Due to Other Funds</b>
General	\$ 277,070	\$ 14,153
Beach access	-	174,372
Capital projects	-	102,697
Gas tax	270,793	-
CRA	-	256,641
Total	\$ 547,863	\$ 547,863

These balances resulted from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made.

Interfund transfers for the year ended September 30, 2012, were as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ 174,426	\$ 51,415
Beach access	8,841	174,372
Capital projects	109,153	54
Gas tax	-	66,579
Total	\$ 292,420	\$ 292,420

Transfers of resources from a fund to the fund through which resources are to be expended, are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds.

These transfers from the General Fund, Beach Access Fund, Capital Projects Fund and Gas Tax Fund were used to assist other funds in meeting operating requirements and funding capital projects for the year ended September 30, 2012.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

**(8) Capital Assets:**

Capital asset activity for the year ended September 30, 2012, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 9,957,688	\$ -	\$ -	\$ 9,957,688	
Construction in progress	3,058,224	301,473	-	3,359,697	
Total capital assets, not being depreciated	<u>13,015,912</u>	<u>301,473</u>	<u>-</u>	<u>13,317,385</u>	
Capital assets, being depreciated					
Buildings and improvements	2,747,217	27,421	-	2,774,638	
Improvements other than buildings	81,422	13,377	-	94,799	
Office furniture and equipment	541,311	69,608	-	610,919	
Vehicles and other equipment	1,305,984	57,761	-	1,363,745	
Infrastructure	4,298,417	12,468	-	4,310,885	
Total capital assets, being depreciated	<u>8,974,351</u>	<u>180,635</u>	<u>-</u>	<u>9,154,986</u>	
Less accumulated depreciation for					
Buildings and improvements	651,167	71,562	-	722,729	
Improvements other than buildings	64,854	2,195	-	67,049	
Office Furniture and equipment	440,326	68,543	-	508,869	
Vehicles and other equipment	744,629	129,619	-	874,248	
Infrastructure	292,481	150,262	-	442,743	
Total accumulated depreciation	<u>2,193,457</u>	<u>422,181</u>	<u>-</u>	<u>2,615,638</u>	
Total capital assets, being depreciated, net	<u>6,780,894</u>	<u>(241,546)</u>	<u>-</u>	<u>6,539,348</u>	
Governmental activities capital assets, net	<u>\$ 19,796,806</u>	<u>\$ 59,927</u>	<u>\$ -</u>	<u>\$ 19,856,733</u>	
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>					
Capital assets not being depreciated					
Land	\$ 305,000	\$ -	\$ -	\$ -	\$ 305,000
Construction in progress	22,067	420,548	(162,108)	-	280,507
Total capital assets not being depreciated	<u>327,067</u>	<u>420,548</u>	<u>(162,108)</u>	<u>-</u>	<u>585,507</u>
Capital assets being depreciated					
Computer equipment	61,116	-	-	-	61,116
South Booster Station	362,949	-	-	-	362,949
North Booster Station	94,701	-	-	-	94,701
North Estero	1,304,112	-	-	-	1,304,112
Distribution lines	3,011,706	-	-	-	3,011,706
Seawall	-	-	162,108	-	162,108
Generators	95,104	-	-	-	95,104
Total capital assets being depreciated	<u>4,929,688</u>	<u>-</u>	<u>162,108</u>	<u>-</u>	<u>5,091,796</u>
Less accumulated depreciation for					
Computer equipment	52,374	5,251	-	-	57,625
South Booster Station	140,042	15,369	-	-	155,411
North Booster Station	38,463	4,786	-	-	43,249
North Estero	14,489	43,469	-	-	57,958
Distribution lines	1,887,068	200,862	-	-	2,087,930
Seawall	-	4,503	-	-	4,503
Generators	41,139	9,391	-	-	50,530
Total accumulated depreciation	<u>2,173,575</u>	<u>283,631</u>	<u>-</u>	<u>-</u>	<u>2,457,206</u>
Capital assets being depreciated, net	<u>2,756,113</u>	<u>(283,631)</u>	<u>162,108</u>	<u>-</u>	<u>2,634,590</u>
Business-type activities capital assets, net	<u>\$ 3,083,180</u>	<u>\$ 136,917</u>	<u>-</u>	<u>-</u>	<u>\$ 3,220,097</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

**(8) Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities</b>		
General government	\$	190,903
Transportation		125,249
Economic environment		6,344
Culture/recreation		99,685
Total depreciation expense, governmental activities	<u>\$</u>	<u>422,181</u>
 <b>Business-type activities</b>		
Water	<u>\$</u>	<u>283,631</u>

**(9) Long-term Obligations:**

**Governmental Activities**

Changes in long-term obligations for the year ended September 30, 2012, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Beginning Balance</u>	<u>Due Within One Year</u>	<u>Due In More One Year</u>
<b>Governmental Activities</b>						
Compensated absences	<u>\$ 87,526</u>	<u>\$ 65,752</u>	<u>\$ 57,384</u>	<u>\$ 95,894</u>	<u>\$ 89,181</u>	<u>\$ 6,713</u>
<b>Business-type Activities</b>						
Note payable	<u>\$ 2,160,000</u>	<u>-</u>	<u>\$ 180,000</u>	<u>\$ 1,980,000</u>	<u>\$ 1,980,000</u>	<u>\$ -</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

**Business-type Activities**

*Note Payable:*

Note payable to a financial institution, bearing interest at 2.78%, collateralized by a lien on and a pledge of the net revenues of the utility. Additionally, the Town of Fort Myers Beach, Florida has, by way of resolution, pledged its non-ad valorem revenues for payment of principal and interest on this debt in the event the utility's net revenues are insufficient to make those payments. The Note was refinanced in August 2010, and matures August 2013. The outstanding balance at September 30, 2012 is \$1,980,000.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**(9) Long-term Obligations:** (Continued)

The annual debt service requirements to maturity for all business-type activity debt outstanding as of September 30, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$ 1,980,000</u>	<u>\$ 46,635</u>	<u>\$ 2,026,635</u>
	<u>\$ 1,980,000</u>	<u>\$ 46,635</u>	<u>\$ 2,026,635</u>

**(10) 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.

Total contributions to the Plan for the year ended September 30, 2012 was \$157,938.

**(11) 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 three 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, 2011, 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.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**(12) Commitments and Contingencies:**

The Town leases office facilities under non-cancelable operating leases. Total costs for such leases were \$112,817 for the year ended September 30, 2012. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	Amount
2013	\$ 114,616

The lease includes an option to allow the Town to renew the lease term before the lease expires on July 31, 2013. Effective February 2013, the Town invoked the right to extend the lease for two years. The new minimum lease payments will be \$9,838 per month beginning August 1, 2013, ending July 31, 2014, and \$10,133 per month beginning August 1, 2014, ending July 31, 2015.

The Town has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

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 April 18, 2011 extending through September 30, 2014. Pursuant to the agreement, Woodard & Curran Inc. is to receive \$37,884 in monthly compensation for its services. Woodard & Curran Inc. received \$467,083 for the year ended September 30, 2012. The monthly compensation is to be reviewed annually and adjusted as agreed upon by the Town and Woodard & Curran.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**(12) Commitments and Contingencies:** (Continued)

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. The contract was renewed on April 4, 2011. Pursuant to the agreement Central Parking Systems of Florida, Inc. is to receive \$299,601 annually in twelve equal monthly payments of \$24,967.

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. The Town is now on a month-to-month agreement with the Inn. 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.

**(13) Economic Dependency:**

On August 3, 2001, a Bulk Water Agreement was entered into with Lee County, Florida, to provide the Public Works Services with potable water. Lee County is currently the only source of the Public Works Services' potable water that it supplies to the residents of the Town of Fort Myers Beach. The Bulk Water Agreement is for twenty-five years. The inter-local agreement provides that the County may, from time to time, increase the rate charged for cost of bulk water provided to the Public Work Service. As of September 30, 2012, the rate charged from Lee County, Florida was \$3.67 per 1,000 gallons. The Public Works Service revised its base rate effective January 1, 2010, to pass increased costs on to its customers.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**(14) Prior Period Adjustment:**

*Fund Balances of Governmental Funds*

The Town has determined that a restatement of the fund balance of the General Fund, Gas Tax Fund and the Beach Access Fund is required to reflect corrections to beginning balances of interfund transactions and deferred revenue. In the prior year the CRA Fund, a blended component unit of the Town, was included within in the General Fund. In accordance with GASB #14, the General Fund of blended component units should be presented as a special revenue fund. The CRA has been restated and is presented as a major special revenue fund as of September 30, 2012. Interfund transactions in the General Fund, Gas Tax Fund and the Beach Access Fund were not properly reported as transfers for amounts which were not going to be repaid in the prior year. Deferred revenue, General Fund, Gas Tax Fund and the Beach Access Fund, was not properly recognized in the prior year. Certain intergovernmental revenue was earned during the prior year and not recognized as revenue in the prior year instead the revenue was deferred. The restatements above resulted in an overall understatement of fund balances of \$1,512,972 as of September 30, 2011.

*Net Assets of Governmental Activities*

Interfund transactions in the Governmental Activities were not properly reported as transfers for amounts which were not going to be repaid in the prior year. Deferred revenue in the Governmental Activities was not properly recognized in the prior year. Certain intergovernmental revenue was earned during the prior year and not recognized as revenue in the prior year instead the revenue was deferred. Certain capital assets were not properly recorded in the Government Wide Statements in the prior year. The capital assets included construction in progress that was actually routine maintenance projects. The restatements above resulted in an overall overstatement of net assets of \$562,975 as of September 30, 2011.

*Net Assets of the Water Fund and Business-type Activities*

The Town has determined that a restatement of the net assets of the Water Fund and Business-type Activities is required to reflect corrections to beginning balances of unbilled accounts receivable, accounts payable, and due from other governments. Unbilled accounts receivable was not reported in the prior year and should have been. Accounts payable was not properly alleviated when expenditures were paid in prior years. Due from other governments was not reported in the prior year for amounts for which the Town collects an administrative fee from Lee County, which was not requested by the Town during the prior years. The restatements above resulted in an overall understatement of net assets of \$258,007 for the year ended September 30, 2011.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

**(14) Prior Period Adjustment:** (Continued)

<b>Fund Balance, General Fund, September 30, 2011, as previously reported</b>	\$ 5,020,344
Adjustment for proper recognition of CRA Fund as a Special Revenue Fund	118,710
Adjustment for proper recognition of interfund transactions	52,214
Adjustment for proper recognition of deferred revenue	<u>2,650</u>
<b>Fund Balance, General Fund, September 30, 2011, as restated</b>	<u>\$ 5,193,918</u>
<b>Fund Balance, Gas Tax Fund, September 30, 2011, as previously reported</b>	\$ 1,456,706
Adjustment for proper recognition of interfund transactions	(52,718)
Adjustment for proper recognition of deferred revenue	<u>1,172,879</u>
<b>Fund Balance, Gas Tax Fund, September 30, 2011, as restated</b>	<u>\$ 2,576,867</u>
<b>Fund Balance, Beach Access Fund, September 30, 2011, as previously reported</b>	\$ (153,378)
Adjustment for proper recognition of interfund transactions	504
Adjustment for proper recognition of deferred revenue	<u>337,443</u>
<b>Fund Balance, Beach Access Fund, September 30, 2011, as restated</b>	<u>\$ 184,569</u>
<b>Fund Balance, CRA Fund, September 30, 2011, as previously reported</b>	\$ -
Adjustment for proper recognition of CRA Fund as a Special Revenue Fund	<u>(118,710)</u>
<b>Fund Balance, CRA Fund, September 30, 2011, as restated</b>	<u>\$ (118,710)</u>
<b>Governmental Activities, September 30, 2011, as previously reported</b>	\$ 28,960,103
Adjustment for proper recognition of deferred revenue	(70,946)
Adjustment for proper recognition of capital assets	<u>(492,029)</u>
<b>Governmental Activities, September 30, 2011, as restated</b>	<u>\$ 28,397,128</u>
<b>Net Assets, Water Fund/Business-type Activities, September 30, 2011, as previously reported</b>	\$ 3,776,044
Adjustment for proper recognition of unbilled accounts receivables	133,709
Adjustment for proper recognition of due from other governments	71,351
Adjustment for proper recognition of accounts payable	<u>52,947</u>
<b>Net Assets, Water Fund/Business-type Activities, September 30, 2011, as restated</b>	<u>\$ 4,034,051</u>

**OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF FORT MYERS BEACH, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2012**

	<u>Special Revenue Funds</u>		<u>Nonmajor Governmental Funds</u>
	<u>Park Impact</u>	<u>Road Impact</u>	
<b>Assets</b>			
Cash	\$ 231,369	\$ 645,435	\$ 876,804
Accounts receivable	1,463	2,971	4,434
Due from other governments	-	-	-
<b>Total Assets</b>	<u>\$ 232,832</u>	<u>\$ 648,406</u>	<u>\$ 881,238</u>
Fund balances			
Restricted			
Culture and recreation	\$ 232,832	\$ -	\$ 232,832.00
Transportation	-	648,406	648,406
Total fund balances	<u>232,832</u>	<u>648,406</u>	<u>881,238</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 232,832</u>	<u>\$ 648,406</u>	<u>\$ 881,238</u>

**TOWN OF FORT MYERS BEACH, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Special Revenue Funds</u>		<u>Nonmajor Governmental Funds</u>
	<u>Park Impact</u>	<u>Road Impact</u>	
<b>Revenues</b>			
Miscellaneous			
Impact fees	\$ 11,018	\$ 24,629	\$ 35,647
Interest	245	432	677
Total revenues	<u>11,263</u>	<u>25,061</u>	<u>36,324</u>
<b>Expenditures</b>			
Current			
Transportation	-	4,023	4,023
Culture/recreation	2,267	-	2,267
Total expenditures	<u>2,267</u>	<u>4,023</u>	<u>6,290</u>
<b>Change in fund balances</b>	8,996	21,038	30,034
<b>Fund balances, beginning of year</b>	<u>223,836</u>	<u>627,368</u>	<u>851,204</u>
<b>Fund balances, end of year</b>	<u><u>\$ 232,832</u></u>	<u><u>\$ 648,406</u></u>	<u><u>\$ 881,238</u></u>

## **OTHER REPORTS**

**INDEPENDENT AUDITOR'S 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, Town Council,  
and Town Manager  
Town of Fort Myers Beach, Florida

We have audited the 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, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 14, 2013. 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**

Management of the Town is responsible for establishing and maintaining effective 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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies, described as items 2012-01, 2012-02, and 2012-03, in the accompanying schedule of findings and responses to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly we express no opinion on them.

This report is intended solely for the information and use of the Honorable Mayor, members of Town Council, management and others within the Town, State awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 14, 2013

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended September 30, 2012**

**Part I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:				<u>Unqualified Opinion</u>
Internal control over financial reporting:				
Material weakness(es) identified?	<u>  x  </u>	yes	<u>      </u>	no
Significant deficiency(ies) identified?	<u>      </u>	yes	<u>  x  </u>	no
Noncompliance material to financial statements noted?	<u>      </u>	yes	<u>  x  </u>	no

**Federal Awards**

There was not an audit of major Federal award programs as of September 30, 2012, due to the total amount expended being less than \$500,000.

**Part II – Financial Statement Findings**

**2012-01 Restatement of Beginning Fund Balance/Net Assets, Prior Period Adjustments**

**Criteria:** Internal controls should be in place to prevent material misstatements in the reporting of the Town’s financial statements.

**Condition:** Internal controls were not sufficient to prevent material misstatements in the reporting of the Town’s financial statements for the year ended September 30, 2011.

**Context/Cause/Effects:** During our audit, audit adjustments were required to restate beginning net assets/fund balances for the Governmental Activities, General Fund, Gas Tax Fund, Beach Access Fund and Business-type Activities and Water Fund to record the proper recognition of unbilled accounts receivables, due from other governments, interfund transactions, capital assets, deferred revenue, and accounts payable. The nature of these adjustments is as follows:

*Fund Balances of Governmental Funds*

The Town has determined that a restatement of the fund balance of the General Fund, Gas Tax Fund and the Beach Access Fund is required to reflect corrections to beginning balances of interfund transactions and deferred revenue. In the prior year the CRA Fund, a blended component unit of the Town, was included within in the General Fund. In accordance with GASB #14, the General Fund of blended component units should be

presented as a special revenue fund. The CRA has been restated and is presented as a major special revenue fund as of September 30, 2012. Interfund transactions in the General Fund, Gas Tax Fund and the Beach Access Fund were not properly reported as transfers for amounts which were not going to be repaid in the prior year. Deferred revenue General Fund, Gas Tax Fund and the Beach Access Fund was not properly recognized in the prior year. Certain intergovernmental revenue was earned during the prior year and not recognized as revenue in the prior year instead the revenue was deferred. The restatements above resulted in an overall understatement of fund balances of \$1,512,972 as of September 30, 2011.

#### *Net Assets of Governmental Activities*

Interfund transactions in the Governmental Activities were not properly reported as transfers for amounts which were not going to be repaid in the prior year. Deferred revenue in the Governmental Activities was not properly recognized in the prior year. Certain intergovernmental revenue was earned during the prior year and not recognized as revenue in the prior year instead the revenue was deferred. Certain capital assets were not properly recorded in the Government Wide Statements in the prior year. The capital assets included construction in progress that was actually routine maintenance projects. The restatements above resulted in an overall overstatement of net assets of \$562,975 as of September 30, 2011.

#### *Net Assets of the Water Fund and Business-type Activities*

The Town has determined that a restatement of the net assets of the Water Fund and Business-type Activities is required to reflect corrections to beginning balances of unbilled accounts receivable, accounts payable, and due from other governments. Unbilled accounts receivable was not reported in the prior year and should have been. Accounts payable was not properly alleviated when expenditures were paid in prior years. Due from other governments was not reported in the prior year for amounts for which the Town collects an administrative fee from Lee County, which was not requested by the Town during the prior years. The restatements above resulted in an overall understatement of net assets of \$258,007 for the year ended September 30, 2011.

**Recommendation:** We recommend the Town strengthen its controls to ensure that future restatements do not occur.

**Auditee's Response:** *We concur with the finding. We will take necessary steps in the future to ensure that fund balance and net assets are properly stated.*

### **2012-02 Receivables and Revenues**

**Criteria:** Internal controls should be in place to ensure that the amounts reported as receivables and revenues are appropriate and in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to detect misstatements in the reporting of the City's receivables and revenues.

**Context/Cause:** During our testing of receivables and revenues, certain audit adjustments were required to correct current year amounts. The nature of these adjustments is as follows:

- An adjustment to increase water and sewer receivables for unbilled water and sewer bills in the amount of \$262,860, increase water revenue in the amount of \$138,383, and an increase due to other governments in the amount of \$124,477 for sewer collection due to Lee County was required in the Water Fund.

**Effects:** Audit adjustments were needed to correctly report revenues and receivables for the year ended September 30, 2012.

**Recommendation:** We recommend the Town carefully review all revenues and related receivables to ensure they are reported in the proper reporting period.

**Auditee's Response:** *We concur with the finding. We will take necessary steps in the future to ensure that revenues and related receivables are properly recorded.*

## **2012-03 Liabilities and Related Expenses/Expenditures**

**Criteria:** Generally, expenses/expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows.

**Condition:** Internal controls were not sufficient to detect material misstatements in the reporting of the Town's liabilities and related expenses/expenditures.

**Context/Cause:** During our testing of liabilities and expenses/expenditures, certain audit adjustments were required to correct current year and prior year amounts. The nature of these adjustments is as follows:

- An adjustment to increase accounts payable in the amount of \$17,680 and increase expenses in the amount of \$17,680 in the General Fund.
- An adjustment to increase accounts payable in the amount of \$49,832 and increase expenses in the amount of \$49,832 in the Water Fund.

**Effects:** Audit adjustments were needed to correctly report liabilities and expenditures/expenses.

**Recommendation:** We recommend the Town carefully review all liabilities and expenditures/expenses and record all necessary expenditures/expenses in the proper reporting period.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that liabilities and related expenses/expenditures are properly recorded.

### **Part III – Federal Award and State Financial Assistance Project Findings and Questioned Costs**

There was not an audit of major Federal award programs as of September 30, 2012, due to the total amount expended being less than \$500,000.

### **Part IV – Summary Schedule of Prior Audit Findings**

#### **2011-01 Prior Period Adjustment**

*Criteria:* Town management is responsible for establishing and maintaining internal controls over the recording of all reimbursable grant revenue such that the revenue is recorded in the same period as the related expenses being reimbursed.

*Status:* See current year finding, 2012-01.

#### **2009-01 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.

*Status:* This finding has been resolved. We have determined the Town's Finance Director, individual designated by the Town who oversees the preparation of the financial statements, possesses the skill, knowledge and experience sufficient to perform the preparation of the financial statements, not just oversee the preparation of the financial statements. The Town's Finance Director, in order to make better use of his or her time, has asked the auditor to prepare the financial statements. The Town's Finance Director will also review the draft financial statements using a comprehensive disclosure checklist.

#### **2009-02 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.

*Status:* See current year findings 2012-02 and 2012-03.

## MANAGEMENT LETTER

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

We have audited the basic financial statements of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 14, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With *Government Auditing Standards*. Disclosures in that report, which are dated March 14, 2013, 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. Below is a list of the prior year audit findings made in the preceding annual financial audit report and the current year status.
  - Finding 2012-01 Reported in the Schedule of Findings and Responses is a repeat finding from two previous years. The finding references for prior years were 2011-01 and 2010-01.
  - Finding 2012-02 Reported in Current Year Findings and Recommendations is a repeat finding from two previous years. The finding reference for prior years was 2009-02.
  - Finding 2012-03 Reported in Current Year Findings and Recommendations is a repeat finding from two previous years. The finding reference for prior years was 2009-02.
  - Finding 2009-01 See resolution in the Schedule of Findings and Responses.
- 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. Matters required to be disclosed are reported in the Schedule of Findings and Responses.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements 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 have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. 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.. There are no component units included in the reporting entity of the Town as of September 30, 2012. All required information has been included 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 government 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 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, 2012, 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, 2012. 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 Town Council, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 14, 2013