

RESOLUTION OF THE TOWN COUNCIL OF THE  
THE TOWN OF FORT MYERS BEACH, FLORIDA  
RESOLUTION NUMBER 11-04

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FORT MYERS BEACH,  
FLORIDA, ACCEPTING THE BASIC FINANCIAL STATEMENTS AND AUDIT FOR FISCAL  
YEAR 2009-2010 AS PRESENTED BY THE TOWN MANAGER; AND PROVIDING AN  
EFFECTIVE DATE

WHEREAS, Florida Statutes provide that municipalities shall have the governmental, corporate, and proprietary powers to enable them to conduct municipal government, perform municipal functions, and render municipal services, and exercise any power for municipal purposes, except when expressly prohibited by law; and

WHEREAS, Article X of the Town Charter of the Town of Fort Myers Beach empowers the Town to adopt, amend, or repeal such ordinances and resolutions as may be required for the proper governing of the Town; and

WHEREAS, the Town Council of Fort Myers Beach has convened in public meeting on June 7, 2010, following proper notice as required by Florida Statute; and

WHEREAS, the Town Council has reviewed the Basic Financial Statements and audit for FY 2010 (fiscal year 2009-2010) which had been previously provided.

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

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

SECTION TWO: Town Manager's Responsibility. The Town Manager of the Town of Fort Myers Beach has presented the Basic Financial Statements and Audit for the fiscal year 2009-2010.

SECTION THREE: Acceptance of Audit and Direction to Town Manager. The Town of Fort Myers Beach hereby accepts the Basic Financial Statements for the fiscal year 2009-2010. Said audit is attached hereto as Exhibit "A" and hereby incorporated by reference and the Manager is directed to perform all administrative duties and responsibilities with regard to the Town's statutory responsibilities with the State of Florida and otherwise.

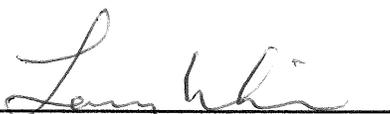
SECTION FOUR: Severability. If any one of the provisions of this resolution should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such provision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

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

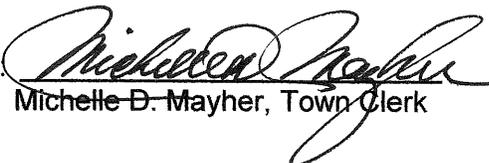
The foregoing Resolution was adopted by the Town Council upon a motion by Council Member Mandel and seconded by Council Member Kosinski and upon being put to a vote, the result was as follows:

Larry Kiker, Mayor	aye	Bob Raymond, Vice Mayor	aye
Jo List	aye	Alan Mandel	aye
Joe Kosinski	aye		

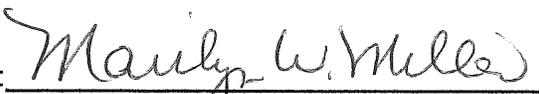
DULY PASSED AND ADOPTED THIS 18<sup>th</sup> DAY OF April, 2011, BY THE  
TOWN COUNCIL OF THE TOWN OF FORT MYERS BEACH

By:   
Larry Kiker, Mayor

ATTEST:

By:   
Michelle D. Mayher, Town Clerk

Approved as to legal sufficiency:

By:   
Fowler White Boggs, PA

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

**TOWN OF FORT MYERS BEACH, FLORIDA  
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# SHINN & COMPANY<sup>LLC</sup>

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council  
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, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Gas Tax Fund and the Beach Renourishment Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Member**

Private Companies Practice Section  
American Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants

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

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida  
April 15, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Town of Fort Myers Beach's financial statements is intended to provide a narrative introduction to the basic financial statements and an analytical overview of the Town's financial activities for the fiscal year ending September 30, 2010.

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, 2010, the assets of the Town of Fort Myers Beach exceeded its liabilities by \$30,415,633 (net assets). Of this amount, \$10,678,935 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 Town's total net assets increased by \$1,879,522. The change in net assets is primarily due to the Town's investment in capital assets.
- The Town of Fort Myers Beach's governmental funds reported combined ending fund balances of \$9,534,515 as of September 30, 2010. This is a decrease of \$317,718 from the September 30, 2009 ending fund balances.
- The Town's General Fund and Beach Access Funds were restated due to grant revenues earned but not reported as of September 30, 2009, resulting in increased fund balances and governmental activities unrestricted net assets of \$261,461.

### USING THE BASIC FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the Town's net assets changed during the 2010 fiscal year. The statement reflects the expenses of a given function or segment, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes are reported under general revenue.

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

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

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

## **Fund Financial Statements**

The Fund Financial Statements, which report by fund type, begin on page 13. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore, you will find the reconciliation on pages 14 and 16 that converts this data to an economic resources measurement focus and the accrual basis of accounting for use in the Government-wide Financial Statements. The Fund Financial Statements present information in more detail than the Government-wide Financial Statements.

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

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

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

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes can be found beginning on page 24.

## **AN OVERVIEW OF THE TOWN**

### **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, 2010 and 2009:

### Town of Fort Myers Beach, Florida Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 9,848,119	\$ 10,451,815	\$ 2,633,686	\$ 3,472,536	\$ 12,481,805	\$ 13,924,351
Capital assets, net	18,375,454	16,682,364	3,301,244	2,296,077	21,676,698	18,978,441
Total assets	<u>28,223,573</u>	<u>27,134,179</u>	<u>5,934,930</u>	<u>5,768,613</u>	<u>34,158,503</u>	<u>32,902,792</u>
Current and other liabilities	269,595	495,756	1,078,541	3,817,330	1,348,136	4,313,086
Noncurrent liabilities	54,734	53,595	2,340,000	-	2,394,734	53,595
Total liabilities	<u>324,329</u>	<u>549,351</u>	<u>3,418,541</u>	<u>3,817,330</u>	<u>3,742,870</u>	<u>4,366,681</u>
Net assets:						
Invested in capital assets, net of related debt	18,375,454	16,682,364	961,244	(223,923)	19,336,698	16,458,441
Restricted	400,000	400,000	-	-	400,000	400,000
Unrestricted	9,123,790	9,502,464	1,555,145	2,175,206	10,678,935	11,677,670
Total net assets	<u>\$ 27,899,244</u>	<u>\$ 26,584,828</u>	<u>\$ 2,516,389</u>	<u>\$ 1,951,283</u>	<u>\$ 30,415,633</u>	<u>\$ 28,536,111</u>

- For governmental activities net assets, \$18,375,454, or 66%, represent the amount invested in capital assets, less the outstanding debt used to acquire those assets. The 2010 balance reflects an increase of \$1,693,090, or 10%, over 2009. 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.
- Unrestricted net assets decreased by \$998,735, or 9%, from 2009. Unrestricted net assets account for 35% of the Town's total net assets. These net assets may be used to meet the Town's ongoing obligations to citizens and creditors.
- Restricted net assets of \$400,000 represent funds that were received in conjunction with the Bay Oaks Recreation Center facility transfer from Lee County in 2009. This amount represents cash restricted for ongoing operational expenditures for the facility.

## Summary of Changes in Net Assets

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

Town of Fort Myers Beach Summary of Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,022,424	\$ 1,047,881	\$ 3,538,105	\$ 2,575,738	\$ 4,560,529	\$ 3,623,619
Operating grants and contributions	787,879	760,249	-	-	787,879	760,249
Capital grants and contributions	1,129,716	6,859,605	16,778	13,093	1,146,494	6,872,698
<b>General revenues</b>						
Property taxes	2,378,440	2,336,791	-	-	2,378,440	2,336,791
Gas taxes	336,118	1,993,951	-	-	336,118	1,993,951
Franchise fees	101,035	87,723	-	-	101,035	87,723
Communications services taxes	602,432	726,955	-	-	602,432	726,955
Intergovernmental revenues	578,749	885,594	-	-	578,749	885,594
Impact fees	13,170	18,878	-	-	13,170	18,878
Investment earnings	280,041	383,235	7,174	12,341	287,215	395,576
Miscellaneous	38,693	92,297	-	-	38,693	92,297
Total revenues	<u>7,268,697</u>	<u>15,193,159</u>	<u>3,562,057</u>	<u>2,601,172</u>	<u>10,830,754</u>	<u>17,794,331</u>
<b>Expenses:</b>						
<b>Program expenses</b>						
<b>Governmental Activities</b>						
General government	3,048,710	3,052,432	-	-	3,048,710	3,052,432
Public safety	1,155	817	-	-	1,155	817
Physical environment	172,736	386,422	-	-	172,736	386,422
Transportation	1,497,450	1,593,960	-	-	1,497,450	1,593,960
Economic environment	13,094	14,354	-	-	13,094	14,354
Culture/recreation	1,221,136	976,552	-	-	1,221,136	976,552
<b>Business-type activities</b>						
Water Utility	-	-	2,996,951	2,530,739	2,996,951	2,530,739
Total expenses	<u>5,954,281</u>	<u>6,024,537</u>	<u>2,996,951</u>	<u>2,530,739</u>	<u>8,951,232</u>	<u>8,555,276</u>
Increase in net assets	1,314,416	9,168,622	565,106	70,433	1,879,522	9,239,055
Net assets - beginning	26,584,828	17,416,206	1,951,283	1,880,850	28,536,111	19,297,056
Net assets - ending	<u>\$ 27,899,244</u>	<u>\$ 26,584,828</u>	<u>\$ 2,516,389</u>	<u>\$ 1,951,283</u>	<u>\$ 30,415,633</u>	<u>\$ 28,536,111</u>

Total revenues decreased by \$6,963,577 or 39% in comparison to the prior year. This decrease was primarily due to the donation of the Bay Oaks Recreation Center Facility from Lee County in 2009.

Total expenses increased by \$395,956 or 1.6% in comparison to the prior year.

## Governmental Activities

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

The cost of all governmental activities this fiscal year was \$6.0 million, consistent with the \$6.0 million for fiscal 2009. As show in the Statement of Activities (page 12), the earnings from governmental activities were \$2.6 million for 2009 compared to a net cost of \$3.0 million for 2010. Revenues contributing to earnings from governmental activities consisted of:

- Approximately \$1,022,425 in charges for services of which there was approximately \$50,580 in revenue from fines and forfeitures, approximately \$375,589 from parking facilities revenues, \$108,000 for harborage usage fees, with the remainder from various fees for general government service.
- Approximately \$787,880 in operating grants and contributions. These operating grants include donations from the public, CDBG funds (*Community Development Block Grant*) and grants from the Tourist Development Council for beach access maintenance.
- Approximately \$1,129,715 in capital grants and contributions, which is mainly comprised of mainly comprised of grants from FEMA and SWFMD for capital projects including the North Estero project.

### Town of Fort Myers Beach Governmental Activities

	Total cost of services		Net cost (earnings) of services	
	2010	2009	2010	2009
Public safety	\$ 1,155	\$ 817	\$ 1,155	\$ 817
Physical environment	172,736	386,422	172,736	386,422
Transportation	1,497,450	1,593,960	(26,072)	940,631
Economic environment	13,094	14,354	(93,271)	(73,025)
Culture/recreation	1,221,136	976,552	201,093	(6,653,543)
General government	3,048,710	3,052,432	2,758,621	2,755,500
Totals	<u>\$ 5,954,281</u>	<u>\$ 6,024,537</u>	<u>\$ 3,014,262</u>	<u>\$ (2,643,198)</u>

## Business-type Activities

Revenues of the Town's business-type activities totaled \$3,562,057 and \$2,601,172 for 2010 and 2009, respectively. Operating expenses totaled \$2,996,951 and \$2,530,739 for 2010 and 2009, respectively. The increase in net assets was \$565,106 and \$70,433 for 2010 and 2009, respectively.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

### Governmental Funds

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

The *General Fund* is the chief operating fund of the Town. It is used to account for all financial resources except those to be accounted for in another fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,014,976. During the current fiscal year, the fund balance of the Town's General Fund decreased by \$519,665.

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 \$3,323,277, all of which is dedicated to road improvements and transportation related items. This fund balance decreased by \$292,255. The decrease in fund balance was anticipated because of the ongoing work on the North Estero project.

The *Beach Renourishment Fund* is used to account for funds used to renourish the beach in order to ensure the long-term recreational and economic vitality of the Beach. The fund has a total fund balance of \$1,239,944. The fund was originally established by a transfer from the General Fund and the only other revenue source is accumulated interest.

The *Capital Projects Fund* is maintained by transfers from the general fund and other special revenue funds. The current accumulated fund deficit of \$270,620 is a result of current expenditures in excess of transfers into the fund in the current year. The Town expects the deficit to be recovered in subsequent years from inter-fund transfers.

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

### **Proprietary Funds**

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

### **BUDGETARY HIGHLIGHTS**

Revenue budget-to-actual in the general fund resulted in a \$54,805, or 1.1%, negative revenue variance.

Budget-to-actual expenditures show a \$316,462 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 on page 17.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

Town of Fort Myers Beach Capital Assets (net of depreciation)						
	Governmental Activities		Business- type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 9,957,688	\$ 9,957,688	\$ 305,000	\$ 305,000	\$ 10,262,688	\$ 10,262,688
Buildings and leasehold improvements	2,167,106	2,238,058	-	-	2,167,106	2,238,058
Improvements other than buildings	18,108	21,899	-	-	18,108	21,899
Office furniture and equipment	132,775	202,905	-	-	132,775	202,905
Vehicles and other equipment	604,999	596,781	-	-	604,999	596,781
Infrastructure	1,054,527	1,101,578	1,702,149	1,818,752	2,756,676	2,920,330
Construction in progress	4,440,251	2,563,455	1,294,095	172,325	5,734,346	2,735,780
Total capital assets	<u>\$ 18,375,454</u>	<u>\$ 16,682,364</u>	<u>\$ 3,301,244</u>	<u>\$ 2,296,077</u>	<u>\$ 21,676,698</u>	<u>\$ 18,978,441</u>

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

### Long-term Liabilities

As of September 30, 2010 and 2009, the Town had \$2,394,734 and \$2,573,595, respectively, in long-term liabilities. The following table provides a breakdown:

Town of Fort Myers Beach Outstanding Debt						
	Governmental Activities		Business- type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Note payable	\$ -	\$ -	\$ 2,340,000	\$ 2,520,000	\$ 2,340,000	\$ 2,520,000
Compensated absences	54,734	53,595	-	-	54,734	53,595
Total liabilities	<u>\$ 54,734</u>	<u>\$ 53,595</u>	<u>\$ 2,340,000</u>	<u>\$ 2,520,000</u>	<u>\$ 2,394,734</u>	<u>\$ 2,573,595</u>

The \$2,340,000 note payable in business-type activities is classified as a current liability in 2009 due to violations of the debt covenants with the lender. Additional information on the Town's long-term debt can be found in Note 9 to the financial statements.

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

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

The following factors were considered in preparing the Town's budget for the 2011 fiscal year:

- Due to the continuing downturn in the economy, the Town is dealing with a devaluation of real property values in the overall Southwest Florida area including the Town.
- The Town's elected officials and administration will continue to monitor the local and national economy in preparation of the 2011 Budget.

### **Requests for Information**

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2010**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,524,625	\$ 1,882,896	\$ 4,407,521
Investments	4,750,937	-	4,750,937
Due from other governments	1,841,395	-	1,841,395
Accounts receivable, net	13,301	511,787	525,088
Special assessments receivable	44,009	-	44,009
Prepaid expenses	44,824	-	44,824
Internal balances	229,028	(229,028)	-
Restricted investments	400,000	239,003	639,003
Capital assets (net of accumulated depreciation):			
Land	9,957,688	305,000	10,262,688
Buildings and leasehold improvements	2,167,106	299,301	2,466,407
Improvements other than buildings	18,108	-	18,108
Office furniture and equipment	132,775	13,992	146,767
Vehicles and other equipment	604,999	63,356	668,355
Infrastructure	1,054,527	1,325,500	2,380,027
Construction in progress	4,440,251	1,294,095	5,734,346
Total assets	<u>28,223,573</u>	<u>5,705,902</u>	<u>33,929,475</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	269,595	97,808	367,403
Customer refunds payable	-	5,257	5,257
Due to other governments	-	507,445	507,445
Liabilities payable from restricted assets - customer deposits	-	239,003	239,003
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	54,734	2,340,000	2,394,734
Total liabilities	<u>324,329</u>	<u>849,513</u>	<u>3,513,842</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	18,375,454	961,244	19,336,698
Restricted for recreation center	400,000	-	400,000
Unrestricted	9,123,790	1,555,145	10,678,935
Total net assets	<u>\$ 27,899,244</u>	<u>\$ 2,516,389</u>	<u>\$ 30,415,633</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2010**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Total
						Business-type Activities		
<b>Functions/Programs</b>								
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 3,048,710	\$ 290,089	\$ -	\$ -	\$ (2,758,621)	\$ -	\$ -	\$ (2,758,621)
Public safety	1,155	-	-	-	(1,155)	-	-	(1,155)
Physical environment	172,736	-	-	-	(172,736)	-	-	(172,736)
Transportation	1,497,450	426,165	25,815	1,071,542	26,072	-	-	26,072
Economic environment	13,094	106,365	-	-	93,271	-	-	93,271
Culture/Recreation	1,221,136	199,805	762,064	58,174	(201,093)	-	-	(201,093)
Total governmental activities	5,954,281	1,022,424	787,879	1,129,716	(3,014,262)	-	-	(3,014,262)
Business-type activities:								
Water	2,996,951	3,538,105	-	16,778	-	557,932	-	557,932
Total primary government	\$ 8,951,232	\$ 4,560,529	\$ 787,879	\$ 1,146,494	(3,014,262)	557,932	-	(2,456,330)
General revenues:								
Property taxes, levied for general purposes					2,378,440	-	-	2,378,440
Gas taxes					336,118	-	-	336,118
Franchise fees					101,035	-	-	101,035
Communications services taxes					602,432	-	-	602,432
Intergovernmental revenues, not restricted to specific programs					578,749	-	-	578,749
Impact fees					13,170	-	-	13,170
Investment earnings					280,041	7,174	-	287,215
Miscellaneous					38,693	-	-	38,693
Transfers					-	-	-	-
Total general revenues					4,328,678	7,174	-	4,335,852
Change in net assets					1,314,416	565,106	-	1,879,522
Net assets - beginning, as restated					26,584,828	1,951,283	-	28,536,111
Net assets - ending					\$ 27,899,244	\$ 2,516,389	-	\$ 30,415,633

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	General	Gas Tax	Beach Renourishment	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents - unrestricted	\$ 347,445	\$ 257,576	\$ -	\$ -	\$ 1,919,604	\$ 2,524,625
Investments	2,006,225	1,491,383	1,253,329	-	-	4,750,937
Investments - restricted	400,000	-	-	-	-	400,000
Special assessments and other receivables	13,301	-	-	-	44,010	57,311
Prepaid expenses	44,824	-	-	-	-	44,824
Due from other funds	355,048	1,530,143	-	-	-	1,885,191
Due from other governments	467,238	44,983	-	1,025,679	303,496	1,841,396
<b>Total assets</b>	<b>\$ 3,634,081</b>	<b>\$ 3,324,085</b>	<b>\$ 1,253,329</b>	<b>\$ 1,025,679</b>	<b>\$ 2,267,110</b>	<b>\$ 11,504,284</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Account payable and accrued liabilities	\$ 166,387	\$ 808	\$ -	\$ 95,605	\$ 6,797	\$ 269,597
Due to other funds	52,718	-	13,385	1,200,694	389,365	1,656,162
Deferred revenue	-	-	-	-	44,010	44,010
<b>Total liabilities</b>	<b>219,105</b>	<b>808</b>	<b>13,385</b>	<b>1,296,299</b>	<b>440,172</b>	<b>1,969,769</b>
<b>Fund balances:</b>						
Reserved for recreation center	400,000	-	-	-	-	400,000
Unreserved, reported in:						
General fund	3,014,976	-	-	-	-	3,014,976
Special revenue funds	-	3,323,277	1,239,944	-	1,826,938	6,390,159
Capital Projects fund	-	-	-	(270,620)	-	(270,620)
<b>Total fund balances (deficit)</b>	<b>3,414,976</b>	<b>3,323,277</b>	<b>1,239,944</b>	<b>(270,620)</b>	<b>1,826,938</b>	<b>9,534,515</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 3,634,081</b>	<b>\$ 3,324,085</b>	<b>\$ 1,253,329</b>	<b>\$ 1,025,679</b>	<b>\$ 2,267,110</b>	<b>\$ 11,504,284</b>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

Fund balance totals: \$ 9,534,515

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 20,210,639	
Less: Accumulated depreciation	<u>(1,835,185)</u>	18,375,454

Revenues that are not received by year-end are deferred in the governmental funds balance sheets, but recognized in the statement of activities.

44,010

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences		<u>(54,734)</u>
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Net assets of governmental activities

\$ 27,899,245

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2010**

	General	Gas Tax	Beach Renourishment	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes						
Property	\$ 2,378,440	\$ -	\$ -	\$ -	\$ -	\$ 2,378,440
Gas	-	336,118	-	-	-	336,118
Franchise	101,035	-	-	-	-	101,035
Communications services	602,432	-	-	-	-	602,432
Local business	10,815	-	-	-	-	10,815
Licenses and permits	229,481	-	-	-	-	229,481
Intergovernmental revenues	835,706	8,642	-	1,170,826	186,693	2,201,867
Charges for services	655,977	-	-	-	-	655,977
Fines and forfeitures	50,581	-	-	-	-	50,581
Miscellaneous	-	-	-	-	-	-
Special assessments/Impact fees	-	-	-	-	72,989	72,989
Interest	117,659	85,269	68,302	-	9,636	280,866
Other	135,664	-	-	284,581	-	420,245
Total revenues	5,117,790	430,029	68,302	1,455,407	269,318	7,340,846
<b>EXPENDITURES</b>						
Current						
General government	2,772,293	-	-	-	90,307	2,862,600
Public safety	1,155	-	-	-	-	1,155
Physical environment	153,674	-	-	-	19,062	172,736
Transportation	1,114,741	357,920	-	-	9,636	1,482,297
Culture/Recreation	1,085,516	-	-	-	48,155	1,133,671
Capital Outlay	11,988	-	-	1,994,117	-	2,006,105
Total expenditures	5,139,367	357,920	-	1,994,117	167,160	7,658,564
Excess (deficiency) of revenues over (under) expenditures	(21,577)	72,109	68,302	(538,710)	102,158	(317,718)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfer in	1,912	-	-	-	500,000	1,040,621
Operating transfers out	(500,000)	(364,364)	-	538,709	(176,257)	(1,040,621)
Total other financing sources (uses)	(488,088)	(364,364)	-	538,709	323,743	-
Net change in fund balances	(519,665)	(292,255)	68,302	(1)	425,901	(317,718)
<b>FUND BALANCES, October 1, 2009, as restated</b>	3,934,641	3,615,532	1,171,642	(270,619)	1,401,037	9,852,233
<b>FUND BALANCES, September 30, 2010</b>	\$ 3,414,976	\$ 3,323,277	\$ 1,239,944	\$ (270,620)	\$ 1,826,938	\$ 9,534,515

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2010**

Amounts reported for governmental activities in the statement of activities are difference because:

Net change in Fund balances - total governmental funds \$ (317,718)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	\$ 2,006,105	
Depreciation	<u>(313,015)</u>	1,693,090

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but are instead deferred. This item represents the change caused by the "available" revenue recognition criteria. (59,817)

In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount represents the increase in the accrual of compensated absences at 9/30/2010 from 9/30/2009. (1,139)

Change in net assets of governmental activities \$ 1,314,416

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2010**

	Budgets		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes				
Property taxes	\$ 2,427,310	\$ 2,427,310	\$ 2,378,440	\$ (48,870)
Franchise taxes	74,000	74,000	101,035	27,035
Communications services tax	647,450	647,450	602,432	(45,018)
Local business	10,000	10,000	10,815	815
Licenses and permits	114,300	114,300	229,481	115,181
Intergovernmental revenues	821,999	821,999	835,706	13,707
Charges for services	757,250	757,250	655,977	(101,273)
Fines and forfeitures	56,000	56,000	50,581	(5,419)
Miscellaneous				
Interest	113,330	113,330	117,659	4,329
Other	150,956	150,956	135,664	(15,292)
Total revenues	<u>5,172,595</u>	<u>5,172,595</u>	<u>5,117,790</u>	<u>(54,805)</u>
Expenditures				
Current				
General government	2,756,992	2,756,992	2,772,293	(15,301)
Public safety	-	-	1,155	(1,155)
Physical environment	373,480	373,480	153,674	219,806
Transportation	1,166,901	1,166,901	1,114,741	52,160
Culture/Recreation	1,158,456	1,158,456	1,085,516	72,940
Capital Outlay	-	-	11,988	(11,988)
Total expenditures	<u>5,455,829</u>	<u>5,455,829</u>	<u>5,139,367</u>	<u>316,462</u>
Excess deficiency of revenues over (under) expenditures	<u>(283,234)</u>	<u>(283,234)</u>	<u>(21,577)</u>	<u>261,657</u>
Other financing sources (uses)				
Operating transfers in	98,334	98,334	1,912	(96,422)
Operating transfers out	(55,400)	(55,400)	(500,000)	(444,600)
Total other financing uses	<u>42,934</u>	<u>42,934</u>	<u>(498,088)</u>	<u>(541,022)</u>
Net change in fund balances	<u>\$ (240,300)</u>	<u>\$ (240,300)</u>	<u>\$ (519,665)</u>	<u>\$ (279,365)</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – GAS TAX FUND**  
**YEAR ENDED SEPTEMBER 30, 2010**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Gas taxes	\$ 449,175	\$ 449,175	\$ 336,118	\$ (113,057)
Intergovernmental	8,000	8,000	8,642	642
Miscellaneous				
Interest	6,000	6,000	85,269	79,269
Total revenues	<u>463,175</u>	<u>463,175</u>	<u>430,029</u>	<u>(33,146)</u>
Expenditures				
Current				
Transportation	584,000	584,000	357,920	226,080
Capital Outlay	125,000	125,000	-	125,000
Total expenditures	<u>709,000</u>	<u>709,000</u>	<u>357,920</u>	<u>351,080</u>
Excess deficiency of revenues over (under) expenditures	(245,825)	(245,825)	72,109	317,934
Other financing uses				
Operating transfers out	-	-	(364,364)	(364,364)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(364,364)</u>	<u>(364,364)</u>
Net change in fund balances	<u>\$ (245,825)</u>	<u>\$ (245,825)</u>	<u>\$ (292,255)</u>	<u>\$ (46,430)</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – BEACH RENOURISHMENT FUND**  
**YEAR ENDED SEPTEMBER 30, 2010**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous				
Interest	\$ 20,000	\$ 20,000	\$ 68,302	\$ 48,302
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>68,302</u>	<u>48,302</u>
Expenditures				
Current				
Culture/Recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues over expenditures	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 68,302</u>	<u>\$ 48,302</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF NET ASSETS – PROPRIETARY FUND  
SEPTEMBER 30, 2010**

**ASSETS**

**Current assets**

Cash	\$ 1,882,896
Accounts receivable, net	<u>511,787</u>
Total current assets	<u>2,394,683</u>

**Noncurrent assets**

Restricted cash	239,003
Capital assets, net	<u>3,301,244</u>
Total noncurrent assets	<u>3,540,247</u>

Total assets	<u>5,934,930</u>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

**Current liabilities**

Payable from current assets:	
Accounts payable	97,808
Customer refunds payable	5,257
Due to Lee County, Florida	507,445
Due to other funds	<u>229,028</u>
Total payable from current assets	839,538

Payable from restricted assets:

Customer deposits	<u>239,003</u>
Total current liabilities	<u>1,078,541</u>

**Long term liabilities**

Note payable	<u>2,340,000</u>
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Total liabilities	<u>3,418,541</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	961,244
Unrestricted	<u>1,555,145</u>
Total net assets	<u>\$ 2,516,389</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2010**

<b>OPERATING REVENUE</b>	
Water utility revenue	<u>\$ 3,538,105</u>
<b>OPERATING EXPENSES</b>	
Bulk water	1,331,354
Depreciation expense	231,324
Management fees	379,285
Repairs and maintenance	556,637
Insurance	79,923
Administrative expense	156,526
Power	32,543
Professional services	43,745
Other operating supplies and expenses	48,524
Miscellaneous expenses	7,337
Office expenses	19,990
Total operating expenses	<u>2,887,188</u>
Operating income	<u>650,917</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Interest income	7,174
Interest expense	(109,763)
Total non-operating expenses	<u>(102,589)</u>
Income before capital contributions	548,328
Capital contributions - connection fees	<u>16,778</u>
Change in net assets	565,106
<b>TOTAL NET ASSETS, beginning of year</b>	<u>1,951,283</u>
<b>TOTAL NET ASSETS, end of year</b>	<u><u>\$ 2,516,389</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 3,488,791
Cash paid to suppliers and others	(2,966,745)
Cash paid to employees	(156,526)
Net cash provided by operating activities	<u>365,520</u>

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

Principal paid on note	(180,000)
Interest paid on note	(106,291)
Capital contributions	16,778
Acquisition of capital assets	(1,236,491)
Net cash used in capital and related financing activities	<u>(1,506,004)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	<u>7,174</u>
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Net change in cash	(1,133,310)
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**CASH AND CASH EQUIVALENTS, beginning of year**

3,255,209

**CASH AND CASH EQUIVALENTS, end of year**

\$ 2,121,899

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Cash and cash equivalents	\$ 1,882,896
Restricted cash	239,003
Total cash and cash equivalents	<u><u>\$ 2,121,899</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 650,917
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	231,324
Net (increase) decrease in:	
Accounts Receivables	(68,904)
Net increase (decrease) in:	
Accounts payable	(177,177)
Due to Lee County, Florida	(290,230)
Due to Town of Fort Myers Beach, Florida	-
Customer refunds payable	(2,318)
Customer deposits	21,907
Net cash provided by operating activities	<u><u>\$ 365,519</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

**Reporting Entity**

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

Governmental Accounting Standards Board (GASB) Statement No. 14, *Financial Reporting Entity* (GASB No. 14) 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 (see note below for description) to emphasize that it is legally separate from the primary government.

**Component Units**

**Blended Component Units**

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

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

**Summary of Significant Accounting Policies**

(a)    Government-Wide and Fund Financial Statements

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

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

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

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

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

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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

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

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

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

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

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

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

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

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

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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

Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

(c) Budgets and budgetary accounting

The Town follows the procedures enumerated below in establishing the legally adopted budgetary data reflected in the fund financial statements.

1. On or before July 15 of each year, the Town Manager is to submit to the Town Council a proposed operating budget, including a Town Manager's message explaining the budget, for the fiscal year commencing the following October 1. The operating budget will include a complete financial plan of all Town funds and activities for the ensuing fiscal year.
2. The Town Council shall publish in one or more newspapers of general circulation the time and place of public hearings. Public hearings are then conducted to obtain taxpayer comments.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

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

- (c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)
3. Prior to October 1, the budget is legally enacted through passage of a resolution required by Town Charter and as required by the State of Florida.
  4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
  5. Budget amounts, as shown in the fund financial statements, are as originally adopted and as finally amended by the Town Council. If, during the fiscal year, additional revenues become available for appropriation in excess of those estimated in the budget, the Town Council may make supplemental appropriations by resolution for the year up to the amount of such excess. There were no supplemental appropriations during the year.
  6. The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. The Council must approve all budget amendments, which change the legally adopted total appropriation for a fund. Authority to transfer budget within a fund is delegated to the Town Council. Appropriations lapse at the fiscal year end.
- (d) Assets, Liabilities, and Net Assets or Equity

*Cash and Investments*

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

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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

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

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

*Cash and Investments (Continued)*

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

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

*Accounts Receivable*

The accounts receivable of the Town are recorded net of allowance for doubtful accounts which generally is equivalent to the receivables that are over 90 days past due.

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

*Due From/Due To*

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

*Debt issuance costs*

In the government-wide and proprietary fund financial statements, debt issuance costs are deferred and amortized over the term of the related debt using the straight-line method, which approximates the effective interest method.

*Capital Assets*

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

*Deferred Revenue*

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

*Compensated absences*

Full-time employees may accumulate vacation and medical leave. The Town's policy allows employees to accumulate up to 240 hours of vacation leave and 720 hours of medical leave. Upon voluntary or involuntary separation from employment, an employee will be paid for all accumulated vacation leave (up to 240 hours).

The accumulated compensated absences are accrued when incurred in the government-wide financial statements for both the current and long-term portions.

*Long-term obligations*

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

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

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

*Estimates*

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

**NOTE 2    PROPERTY TAXES**

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

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

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

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Deficit Fund Balances**

*Palmetto/Easy Street* – The current accumulated fund deficit of \$8,243 is a result of assessments and other billings not being sufficient to cover expenditures in prior years. The Town expects the deficit to be recovered in subsequent years when the assessments are paid.

*CRA* – The current accumulated fund deficit of \$118,276 is a result of assessments and other billings not being sufficient to cover fund expenditures. This fund deficit balance will be absorbed by the General Fund in future periods.

*Capital Projects Fund* – The capital projects fund is maintained by transfers from the general fund. The current accumulated fund deficit of \$270,620 is a result of current expenditures in excess of transfers into the fund in the current year. The Town expects the deficit to be recovered in subsequent years from inter-fund transfers.

**NOTE 4 CASH AND INVESTMENTS**

**Cash**

***Governmental Activities***

**Deposits**

*Custodial credit risk* is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. In accordance with its policy, all Town depositories are banks designated by the Florida State Treasurer as qualified public depositories. Chapter 280 of the Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Treasurer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and 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 percent of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the Town is not exposed to custodial credit risk.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 4 CASH AND INVESTMENTS (CONTINUED)**

**Investments**

As of September 30, 2010, the Town had the following investments:

Investment Type	Percent of Portfolio	Fair Value
Florida Municipal Investment Trust (FMIT)	92.86%	\$ 4,783,302
SBA Florida PRIME	7.00%	360,353
SBA Fund B	0.14%	7,282
		<u>\$ 5,150,937</u>

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, 2010 was 52 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, 2010 was .707058094. The weighted average life (WAL) of Fund B at September 30, 2010 was 7.49 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, 2010. Fund B is not rated by any nationally recognized statistical rating agency.

The Local Government Surplus Funds Trust Fund Investment 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.

The FMIT is an external investment pool. The Town's investment in the FMIT is not evidenced by securities that exist in physical or book form and, therefore, disclosures for concentration of credit risk and custodial credit risk are not applicable. 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, 2010. 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, 2010 was 3.10 years.

***Business-type Activities***

At September 30, 2010, Public Works Services' deposits were insured or collateralized pursuant to Florida Statute Chapter 280.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5 ACCOUNTS RECEIVABLE**

At September 30, 2010, accounts receivable consisted of the following:

	Gross accounts receivable	Less allowance for doubtful accounts	Accounts receivable, net
<b><u>Government Activities</u></b>			
Accounts receivable	\$ 13,301	\$ -	\$ 13,301
<b><u>Business-type Activities</u></b>			
Water	289,932	13,421	276,511
Sewer	246,695	11,419	235,276
Total	\$ 536,627	\$ 24,840	\$ 511,787

**NOTE 6 RESTRICTED ASSETS**

Restricted assets represent funds restricted for the following purposes at September 30, 2010:

<b><u>Government Activities</u></b>	
Investments restricted for recreation center	\$ 400,000
<b><u>Business-type Activities</u></b>	
Customer deposits	239,003
	\$ 639,003

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

Interfund receivable and payable balances at September 30, 2010, consisted of the following:

	Purpose	Amount
Due to: General Fund		
Beach Access	Operations	\$ 112,634
Beach Renourishment	Operations	13,386
Water Utility	Operations	229,028
	Total due to General Fund	355,048
Due to: Gas Tax Fund		
General Fund	Operations	52,718
CRA Fund	Operations	256,641
Capital Projects	Operations	1,200,694
Palmetto Easy Street Fund	Operations	20,090
	Total due to Gas Tax Fund	1,530,143
Total		\$ 1,885,191

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

Interfund transfers at September 30, 2010, consisted of the following:

Interfund transfers for the year ended September 30, 2010, consisted of the following:

	Purpose	Amount
Transfer to Emergency Fund		
General Fund	To set up emergency fund	\$ 500,000
Transfer to Capital Projects Fund		
Gas Tax Fund	To pay for current year projects	364,364
Park Impact Fee Fund	To pay for current year projects	174,345
Transfer to General Fund		
Laguna Shores Fund	Fund closed out	1,912
		\$ 1,040,621
<u>Internal Balances (shown as eliminating on Statement of Net Assets)</u>		
Due from Water Utility	Salaries	\$ 89,756
Due from Water Utility	Insurance Premiums	139,272
		\$ 229,028

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**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010 is as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 9,957,688	\$ -	\$ -	\$ 9,957,688
Construction in progress	2,563,455	1,876,796	-	4,440,251
Total capital assets not being depreciated	12,521,143	1,876,796	-	14,397,939
Capital assets being depreciated:				
Buildings and leasehold improvements	2,747,217	-	-	2,747,217
Improvements other than building	81,422	-	-	81,422
Office furniture and equipment	496,658	3,501	-	500,159
Vehicles and other equipment	1,092,229	125,808	-	1,218,037
Infrastructure	1,265,865	-	-	1,265,865
Total capital assets being depreciated	5,683,391	129,309	-	5,812,700
Less accumulated depreciation for:				
Buildings and leasehold improvements	509,159	70,952	-	580,111
Improvements other than building	59,523	3,791	-	63,314
Office furniture and equipment	293,753	73,631	-	367,384
Vehicles and other equipment	495,448	117,590	-	613,038
Infrastructure	164,287	47,051	-	211,338
Total accumulated depreciation	1,522,170	313,015	-	1,835,185
Capital assets being depreciated, net	4,161,221	(183,706)	-	3,977,515
Governmental activities capital assets, net	<u>\$ 16,682,364</u>	<u>\$ 1,693,090</u>	<u>\$ -</u>	<u>\$ 18,375,454</u>

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

<u>Governmental activities:</u>	
General government	\$ 182,350
Transportation	23,818
Economic environment	13,094
Culture and recreation	93,753
Total depreciation expense, governmental activities	<u>\$ 313,015</u>

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**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 8 CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ended September 30, 2010 (continued):

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 305,000	\$ -	\$ -	\$ 305,000
Construction in progress	172,325	1,121,770	-	1,294,095
Total capital assets not being depreciated	477,325	1,121,770	-	1,599,095
Capital assets being depreciated:				
Computer equipment	45,364	15,751	-	61,115
South booster station	351,950	11,000	-	362,950
North booster station	94,701	-	-	94,701
Distribution lines	2,923,736	87,970	-	3,011,706
Generators	95,104	-	-	95,104
Total capital assets being depreciated	3,510,855	114,721	-	3,625,576
Less accumulated depreciation for:				
Computer equipment	45,198	1,925	-	47,123
South booster station	110,312	14,361	-	124,673
North booster station	28,891	4,786	-	33,677
Distribution lines	1,491,209	194,997	-	1,686,206
Generators	16,493	15,255	-	31,748
Total accumulated depreciation	1,692,103	231,324	-	1,923,427
Total capital assets being depreciated, net	1,818,752	(116,603)	-	1,702,149
Total business-type activities capital assets, net	<u>\$ 2,296,077</u>	<u>\$ 1,005,167</u>	<u>\$ -</u>	<u>\$ 3,301,244</u>

**NOTE 9 LONG-TERM OBLIGATIONS**

***Governmental Activities***

**Compensated Absences**

The changes in long-term obligations during fiscal year ended September 30, 2010 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 53,595	\$ 1,139	\$ -	\$ 54,734	\$ -

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

***Business-type Activities***

Note payable at September 30, 2010, consisted of the following:

Note payable to a financial institution, bearing interest at 2.78 percent, collateralized by a lien on and a pledge of the net revenues of the Company. 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 Company's net revenues are insufficient to make those payments. The Note was refinanced in August 2010 and matures August 2013.

\$ 2,340,000

**Changes in Long - Term Obligations**

The changes in long-term obligations for the year ended September 30, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Note payable	\$ 2,520,000	\$ -	\$ 180,000	\$ 2,340,000	\$ -

**Annual Maturities of Long-Term Obligations**

The annual debt service requirement to pay the note payable at September 30, 2010, was as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 32,526	\$ 32,526
2012	180,000	62,550	242,550
2013	2,160,000	76,659	2,236,659
	<u>\$ 2,340,000</u>	<u>\$ 171,735</u>	<u>\$ 2,511,735</u>

**Loan Agreement**

The loan agreement contains various covenants, including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with the covenants of the loan agreement for the year ended September 30, 2010.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 10 RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town participated in the public entity risk pool administered by the Florida League of Cities, Inc. for general/professional liability, property and workers compensation. The Town pays an annual premium to Florida League of Cities, Inc. for this insurance program. Participation in this risk pool is non-assessable. There were no significant reductions in insurance coverage in the past two fiscal years. The amount of settlements did not exceed insurance coverage in each of the past three fiscal years.

The Florida League of Cities, Inc. published financial report for the year ended September 30, 2010, can be obtained from the Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

The Town retains the risk of loss up to a deductible amount (ranging from \$0 to \$250) with the risk of loss in excess of this amount transferred to the pool with limits of liability of \$1,000,000 to \$3,000,000 per occurrence.

**NOTE 11 RETIREMENT PLAN**

The Town sponsors a defined contribution pension plan entitled the Town of Fort Myers Beach Pension Plan (the "Plan"). The Plan covers all employees and is administered by the Town. The Plan is a prototype money purchase plan sponsored by VALIC. The Plan can only be amended by VALIC. However, the Town as the Plan administrator can amend the terms within the related Adoption Agreement, including employer contribution percentages. Contributions to the Plan are based on 10% of the employee's annual compensation (15% for the Town Manager) and vest 100% to employee upon contribution to the Plan. For the year ended September 30, 2010, contributions to the Plan totaled \$138,934.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

The Town leases office facilities under non-cancelable operating leases. Total costs for such leases were \$110,078 for the year ended September 30, 2010. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2011	\$ 111,278
2012	114,616
2013	118,055
	<u>\$ 343,949</u>

The lease includes an option to allow the Town to renew the lease term for five periods of one year each, commensurate on the market rate at the time of renewal. This renewal period begins in 2011 and continues until 2016.

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

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

On June 1, 2001, Woodard & Curran, Inc. was retained, pursuant to a contract with the Town to provide for the operation and maintenance of the Town's water system. The term of the agreement is for a period of three years, and was most recently renewed on October 1, 2007 extending through September 30, 2010. Pursuant to the agreement, Woodard & Curran Inc. is to receive \$31,607 in monthly compensation for its services. Subsequent to year end, Woodard & Curran were paid month to month at the existing rate. In March of 2011, a three year extension of the contract at a monthly rate of \$37,876 for fiscal 2011 was approved. The monthly compensation is to be reviewed annually and adjusted as agreed upon by the Town and Woodard & Curran.

In April 2007, Central Parking Systems of Florida, Inc. was retained to provide services for the installation and maintenance of parking meters along with parking enforcement. The term of the agreement is for a period of three years. 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 15<sup>th</sup> 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.

On August 17, 2009, the Town entered into a contract with Southwest Utility Systems, Inc. for construction and improvements related to the existing water distribution network along North Estero Boulevard. The total value of the contract was \$3,034,000, of which \$2,516,261 had been expended as of September 30, 2010.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 13 ECONOMIC DEPENDENCY**

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

**NOTE 14 RESTATEMENT**

Beginning fund balance of the General Fund and the Beach Access Fund were restated by \$120,215 and \$141,246, respectively, and beginning net assets of the Governmental Activities were restated by \$261,461 for grant revenues earned but not reported at September 30, 2009.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**TOWN OF FORT MYERS BEACH, FLORIDA  
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2010**

	CRA	Old San Carlos	Beach Access	Park Impact	Road Impact	Emergency	Palmetto/Easy Street	Totals
<b>ASSETS</b>								
Cash	\$ 138,365	\$ 111,733	\$ -	\$ 240,968	\$ 915,540	\$ 501,151	\$ 11,847	\$ 1,919,604
Special assessments and other receivables	-	27,769	-	-	-	-	16,241	44,010
Due from other governments	-	-	303,496	-	-	-	-	303,496
<b>Total assets</b>	<b>\$ 138,365</b>	<b>\$ 139,502</b>	<b>\$ 303,496</b>	<b>\$ 240,968</b>	<b>\$ 915,540</b>	<b>\$ 501,151</b>	<b>\$ 28,088</b>	<b>\$ 2,267,110</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>								
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 6,797	\$ -	\$ -	\$ -	\$ -	\$ 6,797
Due to other funds	256,641	-	112,634	-	-	-	20,090	389,365
Deferred revenue	-	27,769	-	-	-	-	16,241	44,010
<b>Total liabilities</b>	<b>256,641</b>	<b>27,769</b>	<b>119,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,331</b>	<b>440,172</b>
<b>FUND BALANCES</b>								
Fund balances								
Unreserved, designated for:								
Capital improvements	-	-	184,065	240,968	915,540	-	-	1,340,573
Unreserved, undesignated	(118,276)	111,733	-	-	-	501,151	(8,243)	486,365
<b>Total fund balances (deficits)</b>	<b>(118,276)</b>	<b>111,733</b>	<b>184,065</b>	<b>240,968</b>	<b>915,540</b>	<b>501,151</b>	<b>(8,243)</b>	<b>1,826,938</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 138,365</b>	<b>\$ 139,502</b>	<b>\$ 303,496</b>	<b>\$ 240,968</b>	<b>\$ 915,540</b>	<b>\$ 501,151</b>	<b>\$ 28,088</b>	<b>\$ 2,267,110</b>

**TOWN OF FORT MYERS BEACH, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED SEPTEMBER 30, 2010**

	Laguna Shores	CRA	Old San Carlos	Beach Access	Park Impact	Road Impact	Emergency	Palmetto / Easy Street	Totals
<b>REVENUES</b>									
Intergovernmental	\$ -	\$ -	\$ -	\$ 186,693	\$ -	\$ -	\$ -	\$ -	\$ 186,693
Miscellaneous									
Special assessments/Impact fees	57,883	-	-	-	4,257	8,913	-	1,936	72,989
Interest	4,850	288	-	-	885	1,953	1,151	509	9,636
Total revenues	62,733	288	-	186,693	5,142	10,866	1,151	2,445	269,318
<b>EXPENDITURES</b>									
Current									
General government	-	510	188	84,698	1,519	3,351	-	41	90,307
Physical environment	-	-	-	19,062	-	-	-	-	19,062
Transportation	3,664	-	-	5,972	-	-	-	-	9,636
Culture/Recreation	-	-	-	48,155	-	-	-	-	48,155
Total expenditures	3,664	510	188	157,887	1,519	3,351	-	41	167,160
Excess (deficiency) of revenues over (under) expenditures	59,069	(222)	(188)	28,806	3,623	7,515	1,151	2,404	102,158
<b>OTHER FINANCING SOURCES</b>									
Operating transfers in	-	-	-	-	-	-	500,000	-	500,000
Operating transfers (out)	(1,912)	-	-	-	(174,345)	-	-	-	(176,257)
Total other financing (uses)	(1,912)	-	-	-	(174,345)	-	500,000	-	323,743
Excess of revenues over (under) expenditures and other financing sources	57,157	(222)	(188)	28,806	(170,722)	7,515	501,151	2,404	425,901
<b>FUND BALANCES (deficit), October 1, 2009</b>	(57,157)	(118,054)	111,921	155,259	411,690	908,025	-	(10,647)	1,401,037
<b>FUND BALANCES (deficit), September 30, 2010</b>	\$ -	\$ (118,276)	\$ 111,733	\$ 184,065	\$ 240,968	\$ 915,540	\$ 501,151	\$ (8,243)	\$ 1,826,938

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

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, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

*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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. Material weaknesses are IC 2009--01, IC 2009-02 and IC 2010-01.

## 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 questioned costs. 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 Town Council, management of the Town, federal awarding agencies and the Auditor General of the State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Shinn & Company LLC*  
CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida  
April 15, 2011

# SHINN & COMPANY LLC

Certified Public Accountants and Consultants

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

We have audited the Town of Fort Myers Beach, Florida's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended September 30, 2010. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items IC 2010-01.

## Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did identify deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above, as described in the accompanying schedule of findings and questioned costs as item IC 2010-01.

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

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

*Shinn & Company LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

Bradenton, Florida  
April 15, 2011

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2010**

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal or Pass-Through Contract Number</u>	<u>Expenditures</u>
<b>Department of Homeland Security</b>			
<i>Passed through the Florida Department of Emergency Management</i>			
Public Assistance Grants			
Hazard Mitigation Grant - North Estero	97.039	09-HM-06-09-46-02-010	\$ 879,000
Hazard Mitigation Grant - Basin Based Drainage	97.039	09-HM-37-09-46-02-017	35,407
			<u>914,407</u>
<b>Department of Housing and Urban Development</b>			
<i>Passed through Lee County, Florida</i>			
Community Development Block Grant	14.218	5169	34,817
			<u>34,817</u>
Total Expenditures of Federal Awards			<u>\$ 949,224</u>

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2010**

**NOTE 1 PURPOSE OF THE SCHEDULE**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

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

**Type A and Type B Programs**

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for the Town are those programs that exceeded \$300,000 of federal assistance for the year ended September 30, 2010.

All local governments that expend \$500,000 or more a year in federal financial assistance must undergo a single audit conducted in compliance with OMB Circular A-133.

**Reporting Entity**

The Town reporting entity is defined in Note 1 to the Town's basic financial statements for the year ended September 30, 2010.

**Basis of Accounting**

Expenditures included in the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds as defined in Note 1 to the basic financial statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2010**

**Part I - Summary of Auditors' Results**

Financial Statement Section

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be a material weakness(es)	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards Section

Internal control over compliance:	
Material weakness(es) identified?	Yes
Were significant deficiency(ies) identified not considered to be a material weakness(es)	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 section 510 (a)	No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grant

Dollar threshold used to determine Type A Federal programs	\$300,000
--	-----------

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2010**

**Part II - Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**IC 2010-01 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 expense being reimbursed.

Condition

We noted several instances in which the Town had incurred project expenditures during the year which were reimbursable, but the Town had not requested reimbursement, and/or had not properly recorded the revenue during the fiscal year.

Cause

The Town maintains records primarily on a cash basis and relies on its auditors to propose adjustments to convert certain accounts from a cash basis to an accrual basis. In addition, grant requests were not made on a timely basis due to the lack of diligence on the part of responsible Town personnel in compiling and submitting reimbursement requests to grantor agencies, and the lack of management oversight of this process.

Effect

Town revenues were understated in the current year by approximately \$1.2 million on a GAAP basis, due primarily to not recording revenue of approximately \$920,000 in reimbursements from FEMA for expenditures on the North Estero and Basin Based projects. Beginning fund balances of the General Fund and the Beach Access Fund were understated, as well as the Governmental Activities net assets by \$120,215, \$141,246 and \$261,461, respectively, due to this.

Recommendation

We understand the cash to accrual modification is something management has relied on the auditing firm to perform in years past and that management has accepted a degree of risk associated with these entries because of cost or other considerations. However, we feel that the failure to request grant reimbursements on a timely basis is not an operational risk management should be willing to accept. We recommend that management define, and the Council adopt, certain procedures to ensure grant reimbursements are made on a monthly or quarterly basis and to ensure that reimbursement requests are complete and accurate.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2010**

**IC 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.

Condition

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

Cause

The Town has a limited number of personnel.

Effect

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

Recommendation

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

**IC 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.

Condition

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

Cause

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2010**

Effect

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

Recommendation

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

**Part III - Findings and Questioned Costs – Major Federal Programs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133, Section .510.

**IC 2010-01 Prior Period Adjustment**

**Department of Homeland Security**

**97.039 Hazard Mitigation Grant**

**Passed through Florida Division on Emergency Management**

**See IC 2010-01.**

There were no other findings required to be reported in accordance with Circular A-133 sections .510.

**Part IV – Other Matters**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal programs.

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## MANAGEMENT LETTER

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

We have audited the financial statements of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated April 15, 2011.

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; and OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 15, 2011, 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 auditors' reports.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except for comments 2009-01 and 2009-02 in the Report on Internal Control over Financial Reporting.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, see IC 2010-01.

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) control deficiencies 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. The Town discloses this information in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2010, 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, 2010. 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.

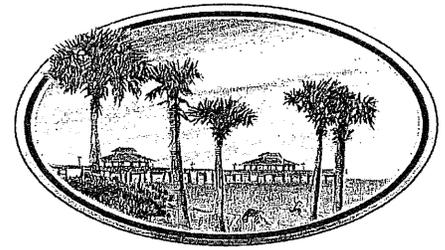
Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the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

*Shinn & Company LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

Bradenton, Florida  
April 15, 2011

# Town of Fort Myers Beach



To: Terry Stewart, Town Manager  
Neil Unruh, Shinn & Company LLC

From: Evelyn Wicks, Finance Director

Date: April 11, 2011

Subject: Management letter for year ending 9/30/10 – Town of Fort Myers Beach

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## Comments

### **IC 2010-01 Prior Period Adjustment**

Grant revenues should be reported when earned. Grant revenues due to be reimbursed by the State were not requested by, nor recorded by, the Town until after a whole fiscal year had gone by. The beginning fund balances of the General Fund and the Beach Access Fund were understated, as well as the Governmental Activities net assets by \$120,215, \$141,246 and \$261,461, respectively.

### **Management's Response**

In the past, grant activities have been tracked by the department requesting the funding. Those departments would insure that the terms of each grant had been met and request the appropriate reimbursement. The Finance Department has developed a quarterly check-list to verify that reports and reimbursements are submitted on a timely basis.

### **IC 2009-01 Financial Reporting Process**

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

### **Management's Response**

The Town has a very limited accounting staff; some items that would normally be developed by the staff are often delegated to outside firms. This situation will remain the same for FY 2011 because the Town does not have sufficient resources to hire additional accounting professionals.

Terry Stewart, Town Manager  
Neil Unruh, Shinn & Company LLC  
April 11, 2011

### **2009-2 Current Year Audit Adjustments**

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

### **Management's Response**

Year-end audit adjustments including accruals and capital asset activity will continue to be prepared by external auditors. The Finance staff reviews revenues and disbursements to insure that they are classified correctly.