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**TOWN OF FORT MYERS BEACH, FLORIDA**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Myers Beach, Florida (the "Town") as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2007, 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, Beach Access Fund and Beach Renourishment Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2008 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



(1)  
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The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplemental financial information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Larson Allen LLP*

**LARSONALLEN LLP**

Fort Myers, Florida  
August 20, 2008

## 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, 2007.

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, 2007, the assets of the Town of Fort Myers Beach exceeded its liabilities by \$18,984,769 (net assets). Of this amount, \$10,994,570 of unrestricted net assets may be used to meet the Town's ongoing obligations.
- The Town's total net assets increased by \$702,985.
- The Town of Fort Myers Beach's governmental funds reported combined ending fund balances of \$8,487,336 as of September 30, 2007. This is a decrease of \$13,369 over the September 30, 2006 ending fund balances.

### USING THE BASIC FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the Town's net assets changed during the 2007 fiscal year. The statement reflects the expenses of a given function or segment, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes are reported under general revenue.

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

- **Governmental activities** – Most of the Town's primary functions are reported here, including culture/recreation, public works, streets and roads, planning and zoning, and general and administrative services. Major revenues supporting these activities are ad valorem taxes, gas taxes, communications services taxes, and intergovernmental revenues.
- **Business-type activities** – This column includes Public Works Services, a blended component unit which is used to account for the operation of the water system. The services are supported from user fees.

## **Fund Financial Statements**

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

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

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

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

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes can be found beginning on page 23.

## **AN OVERVIEW OF THE TOWN**

### **GOVERNMENT-WIDE STATEMENTS**

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

## Summary of Net Assets

The following table reflects a summary of Net Assets for the fiscal years September 30, 2007 and 2006.

Town of Fort Myers Beach, Florida  
Summary of Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 9,025,884	\$ 9,413,852	\$ 3,370,718	\$ 3,304,876	\$ 12,396,602	\$ 12,718,728
Capital assets	8,452,179	7,849,222	2,418,020	2,469,377	10,870,199	10,318,599
<b>Total assets</b>	<u>17,478,063</u>	<u>17,263,074</u>	<u>5,788,738</u>	<u>5,774,253</u>	<u>23,266,801</u>	<u>23,037,327</u>
Current and other liabilities	278,983	547,466	1,063,359	1,096,687	1,342,342	1,644,153
Noncurrent liabilities	59,690	51,390	2,880,000	3,060,000	2,939,690	3,111,390
<b>Total liabilities</b>	<u>\$ 338,673</u>	<u>\$ 598,856</u>	<u>\$ 3,943,359</u>	<u>\$ 4,156,687</u>	<u>\$ 4,282,032</u>	<u>\$ 4,755,543</u>
<b>Net assets:</b>						
Invested in capital assets,						
net of related debt	8,452,179	7,849,222	(461,980)	(590,623)	7,990,199	7,258,599
Unrestricted	8,687,211	8,814,996	2,307,359	2,208,189	10,994,570	11,023,185
<b>Total net assets</b>	<u>\$ 17,139,390</u>	<u>\$ 16,664,218</u>	<u>\$ 1,845,379</u>	<u>\$ 1,617,566</u>	<u>\$ 18,984,769</u>	<u>\$ 18,281,784</u>

Net assets of \$7,990,199 or 42% represent the amount invested in capital assets, less the outstanding debt used to acquire those assets. The 2007 balance reflects an increase of \$731,600 or 10% over 2006. The Town uses these assets to provide services to its citizens and therefore, these assets are not available for future spending. It should also be noted that other resources will be required to repay the outstanding debt on capital assets. This balance represents resources that are subject to external restriction on how they may be used. The Town's largest portion of net assets, 58%, is unrestricted. These net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

## Summary of Changes in Net Assets

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

Town of Fort Myers Beach  
Summary of Changes in Net Assets

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 682,305	\$ 564,117	\$ 2,253,146	\$ 2,235,730	\$ 2,935,451	\$ 2,799,847
Operating grants and contributions	200,571	1,234,887	-	-	200,571	1,234,887
Capital grants and contributions	39,531	117,650	30,137	149,646	69,668	267,296
<b>General revenues</b>						
Property taxes	2,223,347	2,182,835	-	-	2,223,347	2,182,835
Gas taxes	468,905	489,823	-	-	468,905	489,823
Franchise fees	85,617	97,111	-	-	85,617	97,111
Communications services taxes	618,032	597,049	-	-	618,032	597,049
Intergovernmental & Impact fees	905,207	1,113,594	-	-	905,207	1,113,594
Investment earnings	474,591	372,075	157,246	125,735	631,837	497,810
Miscellaneous	53,727	106,792	-	-	53,727	106,792
<b>Total revenues</b>	<u>5,751,833</u>	<u>6,875,933</u>	<u>2,440,529</u>	<u>2,511,111</u>	<u>8,192,362</u>	<u>9,387,044</u>
<b>Expenses:</b>						
<b>Program expenses</b>						
<b>Governmental Activities</b>						
General government	2,675,624	3,047,086	-	-	2,675,624	3,047,086
Public safety	103,680	732,176	-	-	103,680	732,176
Physical environment	605,867	32,666	-	-	605,867	32,666
Transportation	871,273	1,038,083	-	-	871,273	1,038,083
Economic environment	94,421	205,674	-	-	94,421	205,674
Culture/recreation	925,796	1,193,919	-	-	925,796	1,193,919
<b>Business-type activities</b>						
Water Utility	-	-	2,212,716	2,051,611	2,212,716	2,051,611
<b>Total expenses</b>	<u>5,276,661</u>	<u>6,249,604</u>	<u>2,212,716</u>	<u>2,051,611</u>	<u>7,489,377</u>	<u>8,301,215</u>
Increase (decrease) in net assets	475,172	626,328	227,813	459,500	702,985	1,085,829
Net assets - beginning	<u>16,664,218</u>	<u>16,037,890</u>	<u>1,617,566</u>	<u>1,158,065</u>	<u>18,281,784</u>	<u>17,195,955</u>
Net assets - ending	<u>\$ 17,139,390</u>	<u>\$ 16,664,218</u>	<u>\$ 1,845,379</u>	<u>\$ 1,617,565</u>	<u>\$ 18,984,769</u>	<u>\$ 18,281,784</u>

Total revenues decreased \$1,194,682 or 12.7% in comparison to the prior year. Total expenses decreased by \$811,838 or 9.8 % 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 \$5.3 million, as compared to \$6.2 million for fiscal 2006. As shown in the Statement of Activities (page 11), the net cost ultimately paid through taxes and other available resources was \$4.4 million for 2007 as compared to \$4.3 million for 2006. The remaining \$2.0 million was provided by:

- Approximately \$682,000 in charges for services of which there was approximately \$42,000 in revenue from fines and forfeitures, approximately \$300,000 from parking facilities revenues, with the remainder from various fees for general government services.
- Approximately \$200,000 in operating grants and contributions. These grants include Mound House grants and other operating grants.
- \$40,000 in capital grants and contributions.

	<i>Total cost of services</i>		<i>Net cost (earnings) of services</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Public safety	\$ 103,680	\$ 732,176	\$ (96,416)	\$ 161,167
Physical environment	605,867	32,666	(605,867)	(32,666)
Transportation	871,273	1,038,083	(582,902)	(701,604)
Economic environment	94,421	205,674	45,790	(48,924)
Culture/recreation	925,796	1,193,919	(549,814)	(697,488)
General government	<u>2,675,624</u>	<u>3,047,086</u>	<u>(2,565,045)</u>	<u>(3,013,435)</u>
Totals	<u>\$ 5,276,661</u>	<u>\$ 6,249,604</u>	<u>\$ (4,354,254)</u>	<u>\$ (4,332,950)</u>

## Business-type Activities

Revenues of the Town's business-type activities totaled \$2,440,529 and \$2,511,114 for 2007 and 2006, respectively. Operating expenses totaled \$2,212,716 and \$2,051,611 for 2007 and 2006, respectively. The increase in net assets was \$ 227,813 and \$459,501 for 2007 and 2006, 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 \$3,259,523. During the current fiscal year, the fund balance of the Town's General Fund decreased by \$623,218. The key factor for this decrease reflected adoption and implementation of the FY 07 budget which relied heavily on the use of existing fund balance. The Town administration expects to submit budgets in future years that are more structurally balanced.

The *Gas Tax Fund* is used to account for gas taxes and other resources dedicated to road related projects. This fund has a total fund balance of \$2,597,145, all of which is dedicated for road improvements. This fund balance increased by \$111,368 in 2007.

The *Beach Access Fund* program activities provide maintenance of the Beach. These activities are funded by grants and parking revenue. The Beach Access Fund has a fund balance of \$371,420. This balance will be transferred to the General Fund in FY 08.

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 \$1,038,336. The fund was originally established by a transfer from the General Fund and the only other revenue source is accumulated interest.

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

#### **Proprietary Funds**

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

#### **BUDGETARY HIGHLIGHTS**

The difference between the General fund's final budget and actual amounts equaled a \$1,154,452 decrease in total revenues. The actual expenditures were less than the final budgeted amount by \$3,540,035. The resulting deficiency of revenues under expenditures was \$559,258.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 4,235,748	\$ 4,235,748	\$ 305,000	\$ 305,000	\$ 4,540,748	\$ 4,540,748
Buildings & leasehold improvements	1,783,934	1,844,697	-	-	\$ 1,783,934	\$ 1,844,697
Improvements other than buildings	35,781	42,722	2,113,020	2,164,377	2,148,801	2,207,099
Office furniture and equipment	268,915	73,280	-	-	268,915	73,280
Vehicles and other equipment	245,132	219,780	-	-	245,132	219,780
Infrastructure	990,585	924,728	-	-	990,585	924,728
Construction in progress	892,084	508,267	-	-	892,084	508,267
Total capital assets	<u>\$ 8,452,179</u>	<u>\$ 7,849,222</u>	<u>\$ 2,418,020</u>	<u>\$ 2,469,377</u>	<u>\$ 10,870,199</u>	<u>\$ 10,318,599</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, 2007 and 2006, the Town had \$2,939,690 and \$3,111,390, respectively, in a note payable, capital lease, and compensated absences. The following table provides a breakdown:

#### Town of Fort Myers Beach Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Note payable	\$ -	\$ -	\$ 2,880,000	\$ 3,060,000	\$ 2,880,000	\$ 3,060,000
Compensated absences	59,690	51,390	-	-	59,290	51,390
Total long-term liabilities	<u>\$ 59,690</u>	<u>\$ 51,390</u>	<u>\$ 2,880,000</u>	<u>\$ 3,060,000</u>	<u>\$ 2,939,690</u>	<u>\$ 3,111,390</u>

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

## ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGET

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

The following factors were considered in preparing the Town's budget for the 2008 fiscal year.

- Anticipated expenditures on the Newton Park project and Mound House are \$1,713,116. The majority of these projects are funded by grants from various sources.
- The 2008 budget includes \$492,597 to form the new Building and Safety Division. This function has been provided by Lee County in the past.

### **Requests for Information**

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,931,451	\$ 2,854,296	\$ 6,785,747
Investments	4,366,063	-	4,366,063
Due from other governments	407,686	-	407,686
Accounts receivable	-	343,935	343,935
Special assessments receivable	263,495	-	263,495
Prepaid expenses	45,059	-	45,059
Internal balances	12,130	(12,130)	-
Restricted cash	-	172,811	172,811
Unamortized debt issuance costs	-	11,806	11,806
Capital assets (net of accumulated depreciation):			
Land	4,235,748	305,000	4,540,748
Buildings and leasehold improvements	1,783,934	-	1,783,934
Improvements other than buildings	35,781	2,092,187	2,127,968
Office furniture and equipment	268,915	20,833	289,748
Vehicles and other equipment	245,132	-	245,132
Infrastructure	990,585	-	990,585
Construction in progress	892,084	-	892,084
Total assets	<u>17,478,063</u>	<u>5,788,738</u>	<u>23,266,801</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	251,575	9,234	260,809
Accrued interest payable	27,408	34,513	61,921
Customer refunds payable	-	846,801	846,801
Liabilities payable from restricted assets - customer deposits	-	172,811	172,811
Long-term liabilities:			
Due within one year	-	180,000	180,000
Due in more than one year	59,690	2,700,000	2,759,690
Total Liabilities	<u>338,673</u>	<u>3,943,359</u>	<u>4,282,032</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,452,179	(461,980)	7,990,199
Unrestricted	8,687,211	2,307,359	10,994,570
Total net assets	<u>\$ 17,139,390</u>	<u>\$ 1,845,379</u>	<u>\$ 18,984,769</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2007**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,675,624	\$ 110,579	\$ -	\$ -	\$ (2,565,045)	\$ -	\$ (2,565,045)
Public safety	103,680	-	7,264	-	(96,416)	-	(96,416)
Physical environment	605,867	-	-	-	(605,867)	-	(605,867)
Transportation	871,273	288,371	-	-	(582,902)	-	(582,902)
Economic environment	94,421	89,429	50,782	-	45,790	-	45,790
Culture/Recreation	925,796	193,926	142,525	39,531	(549,814)	-	(549,814)
<b>Total governmental activities</b>	<b>5,276,661</b>	<b>682,305</b>	<b>200,571</b>	<b>39,531</b>	<b>(4,354,254)</b>	<b>-</b>	<b>(4,354,254)</b>
Business-type activities:							
Water	2,212,716	2,253,146	-	30,137	-	70,567	70,567
<b>Total primary government</b>	<b>\$ 7,489,377</b>	<b>\$ 2,935,451</b>	<b>\$ 200,571</b>	<b>\$ 69,668</b>	<b>(4,354,254)</b>	<b>70,567</b>	<b>(4,283,687)</b>
General revenues:							
Property taxes, levied for general purposes					2,223,347	-	2,223,347
Gas taxes					468,905	-	468,905
Franchise fees					85,617	-	85,617
Communications services taxes					618,032	-	618,032
Intergovernmental revenues, not restricted to specific program					815,514	-	815,514
Impact fees					89,693	-	89,693
Investment earnings					474,591	157,246	631,837
Miscellaneous					53,727	-	53,727
<b>Total general revenues</b>					<b>4,829,426</b>	<b>157,246</b>	<b>4,986,672</b>
Change in net assets					475,172	227,813	702,985
Net assets - beginning					16,664,218	1,617,566	18,281,784
<b>Net assets - ending</b>					<b>\$ 17,139,390</b>	<b>\$ 1,845,379</b>	<b>\$ 18,984,769</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

	General	Gas Tax	Beach Access	Beach Renourishment	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 812,572	\$ 1,023,791	\$ 645,320	\$ -	\$ 1,449,768	\$ 3,931,451
Investments	2,065,210	1,250,206	-	1,050,647	-	4,366,063
Special assessments and other receivables	-	-	-	-	263,495	263,495
Prepaid expenses	45,059	-	-	-	-	45,059
Due from other funds	665,985	293,614	-	12,687	412,215	1,384,501
Due from other governments	163,169	35,646	122,662	-	86,209	407,686
Total assets	<u>\$ 3,751,995</u>	<u>\$ 2,603,257</u>	<u>\$ 767,982</u>	<u>\$ 1,063,334</u>	<u>\$ 2,211,687</u>	<u>\$ 10,398,255</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Account payable and accrued liabilities	\$ 262,222	\$ 6,112	\$ 2,581	\$ -	\$ 8,068	\$ 278,983
Due to other funds	230,250	-	393,981	24,998	723,142	1,372,371
Deferred revenue	-	-	-	-	259,565	259,565
Total liabilities	<u>492,472</u>	<u>6,112</u>	<u>396,562</u>	<u>24,998</u>	<u>990,775</u>	<u>1,910,919</u>
Fund balances:						
Unreserved, reported in:						
General fund	3,259,523	-	-	-	-	3,259,523
Special revenue funds	-	2,597,145	371,420	1,038,336	1,220,912	5,227,813
Total fund balances (deficit)	<u>3,259,523</u>	<u>2,597,145</u>	<u>371,420</u>	<u>1,038,336</u>	<u>1,220,912</u>	<u>8,487,336</u>
Total liabilities and fund balances	<u>\$ 3,751,995</u>	<u>\$ 2,603,257</u>	<u>\$ 767,982</u>	<u>\$ 1,063,334</u>	<u>\$ 2,211,687</u>	<u>\$ 10,398,255</u>

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

Fund balance totals:	\$ 8,487,336
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	
Capital assets	9,485,660
Accumulated depreciation	<u>(1,033,481)</u>
	8,452,179
Revenues that are not available to pay for current period expenditures are deferred in the funds.	259,565
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	<u>(59,690)</u>
Net assets of governmental activities	<u>\$ 17,139,390</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2007**

	General	Gas Tax	Beach Access	Beach Renourishment	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes						
Property	\$ 2,223,347	\$ -	\$ -	\$ -	\$ -	\$ 2,223,347
Gas	-	468,905	-	-	-	468,905
Franchise	85,617	-	-	-	-	85,617
Communications services	618,032	-	-	-	-	618,032
Licenses and permits	108,657	-	-	-	22,357	131,014
Intergovernmental revenues	898,245	9,764	142,524	-	71,707	1,122,240
Charges for services	337,711	-	126,541	-	-	464,252
Fines and forfeitures	42,012	-	-	-	-	42,012
Miscellaneous						
Special assessments/impact fees	-	-	-	-	187,976	187,976
Interest	209,472	116,738	31,411	54,768	62,201	474,590
Other	50,917	-	-	-	-	50,917
<b>Total revenues</b>	<u>4,574,010</u>	<u>595,407</u>	<u>300,476</u>	<u>54,768</u>	<u>344,241</u>	<u>5,868,902</u>
<b>EXPENDITURES</b>						
Current						
General government	2,690,441	-	-	-	9,545	2,699,986
Public safety	130,315	-	-	-	7,756	138,071
Physical Environment	605,867	-	-	-	-	605,867
Transportation	428,157	484,039	-	-	18	912,214
Economic environment	94,421	-	-	-	-	94,421
Culture/Recreation	1,184,067	-	42,400	26,759	178,486	1,431,712
<b>Total expenditures</b>	<u>5,133,268</u>	<u>484,039</u>	<u>42,400</u>	<u>26,759</u>	<u>195,805</u>	<u>5,882,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(559,258)</u>	<u>111,368</u>	<u>258,076</u>	<u>28,009</u>	<u>148,436</u>	<u>(13,369)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfer in	-	-	-	-	63,960	63,960
Operating transfers out	(63,960)	-	-	-	-	(63,960)
<b>Total other financing sources (uses)</b>	<u>(63,960)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,960</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(623,218)</u>	<u>111,368</u>	<u>258,076</u>	<u>28,009</u>	<u>212,396</u>	<u>(13,369)</u>
<b>FUND BALANCES, October 1, 2006</b>	<u>3,882,741</u>	<u>2,485,777</u>	<u>113,344</u>	<u>1,010,327</u>	<u>1,008,516</u>	<u>8,500,705</u>
<b>FUND BALANCES, September 30, 2007</b>	<u>\$ 3,259,523</u>	<u>\$ 2,597,145</u>	<u>\$ 371,420</u>	<u>\$ 1,038,336</u>	<u>\$ 1,220,912</u>	<u>\$ 8,487,336</u>

The accompanying notes are an integral part of these 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, 2007**

Net change in Fund balances - total governmental funds		\$	(13,369)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>			
Capital Outlay		801,761	
Depreciation		<u>(198,804)</u>	602,957
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
			(106,116)
<p>In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount represents the increase in the accrual of compensated absences at 9/30/07 from 9/30/06.</p>			
			<u>(8,300)</u>
Change in net assets of governmental activities		\$	<u>475,172</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2007**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Property taxes	\$ 2,187,652	\$ 2,187,652	\$ 2,223,347	\$ 35,695
Franchise taxes	90,000	90,000	85,617	(4,383)
Communications services tax	614,800	614,800	618,032	3,232
Licenses and permits	166,400	166,400	108,657	(57,743)
Intergovernmental revenues	1,920,845	1,920,845	898,245	(1,022,600)
Charges for services	431,758	431,758	337,711	(94,047)
Fines and forfeitures	75,007	75,007	42,012	(32,995)
Miscellaneous				
Interest	100,000	100,000	209,472	109,472
Other	142,000	142,000	50,917	(91,083)
<b>Total revenues</b>	<u>5,728,462</u>	<u>5,728,462</u>	<u>4,574,010</u>	<u>(1,154,452)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	4,667,515	4,667,515	2,690,441	1,977,074
Public safety	586,000	586,000	130,315	455,685
Physical environment	521,110	521,110	605,867	(84,757)
Transportation	667,000	667,000	428,157	238,843
Economic environment	200,000	200,000	94,421	105,579
Culture/Recreation	2,031,678	2,031,678	1,184,067	847,611
<b>Total expenditures</b>	<u>8,673,303</u>	<u>8,673,303</u>	<u>5,133,268</u>	<u>3,540,035</u>
Deficiency of revenues under expenditures	<u>(2,944,841)</u>	<u>(2,944,841)</u>	<u>(559,258)</u>	<u>2,385,583</u>
<b>Other financing uses</b>				
Operating transfers out	-	-	(63,960)	(63,960)
<b>Net change in fund balances</b>	<u>\$ (2,944,841)</u>	<u>\$ (2,944,841)</u>	<u>\$ (623,218)</u>	<u>\$ 2,321,623</u>

The accompanying notes are an integral part of these 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, 2007**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Gas taxes	\$ 713,700	\$ 713,700	\$ 468,905	\$ (244,795)
Intergovernmental	452,000	452,000	9,764	(442,236)
Miscellaneous				
Interest	26,000	26,000	116,738	90,738
Other	10,000	10,000	-	(10,000)
Total revenues	<u>1,201,700</u>	<u>1,201,700</u>	<u>595,407</u>	<u>(606,293)</u>
Expenditures				
Current				
Public safety	25,000	25,000	-	25,000
Transportation	2,160,173	2,160,173	484,039	1,676,134
Total expenditures	<u>2,185,173</u>	<u>2,185,173</u>	<u>484,039</u>	<u>1,701,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (983,473)</u>	<u>\$ (983,473)</u>	<u>\$ 111,368</u>	<u>\$ 1,094,841</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – BEACH ACCESS FUND**  
**YEAR ENDED SEPTEMBER 30, 2007**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 140,000	\$ 140,000	\$ 142,524	\$ 2,524
Charges for services	90,000	90,000	126,541	36,541
Fines and forfeitures	33,000	33,000	-	(33,000)
Miscellaneous				
Interest	-	-	31,411	31,411
Total revenues	<u>263,000</u>	<u>263,000</u>	<u>300,476</u>	<u>37,476</u>
Expenditures				
Current				
Culture/Recreation	-	-	42,400	(42,400)
Total expenditures	<u>-</u>	<u>-</u>	<u>42,400</u>	<u>(42,400)</u>
Excess revenues over expenditures	<u>\$ 263,000</u>	<u>\$ 263,000</u>	<u>\$ 258,076</u>	<u>\$ (4,924)</u>

*The accompanying notes are an integral part of these 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, 2007**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous				
Interest	\$ 22,500	\$ 22,500	\$ 54,768	\$ 32,268
Total revenues	<u>22,500</u>	<u>22,500</u>	<u>54,768</u>	<u>32,268</u>
Expenditures				
Current				
Culture/Recreation	-	-	26,759	(26,759)
Total expenditures	<u>-</u>	<u>-</u>	<u>26,759</u>	<u>(26,759)</u>
Excess revenues over expenditures	<u>\$ 22,500</u>	<u>\$ 22,500</u>	<u>\$ 28,009</u>	<u>\$ 5,509</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF NET ASSETS – PROPRIETARY FUND  
SEPTEMBER 30, 2007**

**ASSETS**

**Current assets**

Cash	\$ 2,854,296
Accounts receivable, net	343,935
Total current assets	<u>3,198,231</u>

**Noncurrent assets**

Restricted cash	172,811
Unamortized debt issuance costs	11,806
Capital assets, net	2,418,020
Total noncurrent assets	<u>2,602,637</u>

Total assets	<u>5,800,868</u>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

**Current liabilities**

Payable from current assets:	
Current portion of note payable	180,000
Accounts payable	34,513
Customer refunds payable	9,234
Due to Lee County, Florida	846,801
Due to Town of Fort Myers Beach, Florida	12,130
Total payable from current assets	<u>1,082,678</u>

Payable from restricted assets:

Customer deposits	172,811
Total current liabilities	<u>1,255,489</u>

**Long-term liabilities**

Note payable, net of current portion	2,700,000
Total liabilities	<u>3,955,489</u>

**NET ASSETS**

Invested in capital assets, net of related debt	(461,980)
Unrestricted	2,307,359
Total net assets	<u>\$ 1,845,379</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS –**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2007**

<b>OPERATING REVENUE</b>	
Water utility revenue	<u>\$ 2,253,146</u>
<b>OPERATING EXPENSES</b>	
Bulk water	1,024,339
Depreciation expense	206,521
Management fees	366,199
Repairs and maintenance	369,026
Insurance	52,447
Power	29,770
Professional services	48,223
Miscellaneous expenses	4,438
Office expenses	15,281
Total operating expenses	<u>2,116,244</u>
Operating income	<u>136,902</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Interest income	157,246
Other income (expense)	-
Interest expense	(96,472)
Total non-operating expenses	<u>60,774</u>
Income before capital contributions	197,676
Capital contributions - connection fees	<u>30,137</u>
Change in net assets	227,813
<b>TOTAL NET ASSETS, beginning of year</b>	<u>1,617,566</u>
<b>TOTAL NET ASSETS, end of year</b>	<u><u>\$ 1,845,379</u></u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 2,217,975
Payments to suppliers and others	<u>(1,943,050)</u>
Net cash provided by operating activities	<u>274,925</u>

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

Principal paid on note	(180,000)
Interest paid on note	(96,472)
Capital contributions	157,065
Acquisition of capital assets	<u>(155,164)</u>
Net cash used in capital and related financing activities	<u>(274,571)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	<u>157,246</u>
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Net increase in cash 157,600

**CASH, beginning of year** 2,869,507

**CASH, end of year** \$ 3,027,107

**RECONCILIATION OF CASH**

Cash	\$ 2,854,296
Restricted cash	172,811
Total cash	<u>\$ 3,027,107</u>

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

Operating income	\$ 136,902
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	206,521
Net (increase) decrease in:	
Receivables	(25,947)
Net increase (decrease) in:	
Accounts payable	(68,261)
Due to other governments	220,060
Customer refunds payable	(212,906)
Customer deposits	18,556
Net cash provided by operating activities	<u>\$ 274,925</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

**Reporting Entity**

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

Governmental Accounting Standards Board (GASB) Statement No. 14, *Financial Reporting Entity* (GASB No. 14) requires the financial statements of the Town (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so the data from these units are combined with data of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

**Component Units**

**Blended Component Units**

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

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

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, 2007**

**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.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

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

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

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

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

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

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

(c)      Budgets and budgetary accounting

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**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

*Cash and Investments*

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

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

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

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.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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)**

*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. 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	30 - 50
Improvements other than building	6 - 50
Equipment	3 - 35
Computer equipment	3 - 10
Furniture	4 - 20
Vehicles & rolling stock	3 - 10
Distribution lines	15
Booster stations	25
Generators	10

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**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)

*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). Upon voluntary separation from employment, an employee will be paid one-half of the medical leave hours accumulated. Upon involuntary separation from employment, no sick time will be paid out.

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.

*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.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**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.

**Deficit Fund Balances**

*Old San Carlos Fund* – The current accumulated fund deficit of \$99,399 is a result of assessments and other billings not being sufficient to cover expenditures in prior years. Revenues exceeded expenditures by \$56,360 in the current year. The Town expects the deficit to be recovered in subsequent years when the assessments are paid.

*Times Square Fund* – The current accumulated fund deficit of \$55,074 is a result of assessments and other billings not being sufficient to cover expenditures in prior years. This fund deficit balance will be absorbed by the General Fund in future periods.

*Palmetto/Easy Street* – The current accumulated fund deficit of \$12,554 is a result of assessments and other billings not being sufficient to cover expenditures in prior years. Revenues exceeded expenditures by \$3,627 in the current year. The Town expects the deficit to be recovered in subsequent years when the assessments are paid.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

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

**Deficit Fund Balances (Continued)**

*CRA* – The current accumulated fund deficit of \$102,775 is a result of assessments and other billings not being sufficient to cover fund expenditures. This fund deficit balance will be absorbed by the General Fund in future periods.

**NOTE 4 CASH AND INVESTMENTS**

**Cash**

***Governmental Activities***

**Deposits**

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

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

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

**Investments**

As of September 30, 2007, the Town had the following investments:

Local Government Surplus Funds Trust Fund	\$ 356,288
Florida Municipal Investment Trust (FMIT)	4,009,775
	<u>\$ 4,366,063</u>

The Local Government Surplus Funds Trust Fund (the Pool) is administered by the Florida State Board of Administration. This is a 2a7-like pool, and as such, disclosures for concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk are not applicable. As for credit risk, the Pool is not rated by a nationally recognized statistical rating agency as of September 30, 2007.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

**Investments (Continued)**

The FMIT is an external investment pool. The Town's investment in the FMIT is not evidenced by securities that exist in physical or book form and, therefore, disclosures for concentration of credit risk and custodial credit risk are not applicable. As for credit risk, FMIT was not rated at September 30, 2007. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Business-type Activities***

At September 30, 2007, Public Works Services' deposits were insured or collateralized pursuant to Florida Statute Chapter 280.

**NOTE 5 ACCOUNTS RECEIVABLE**

At September 30, 2007, accounts receivable consisted of the following:

	<b>Gross accounts receivable</b>	<b>Less allowance for doubtful accounts</b>	<b>Net accounts receivable</b>
Water	\$ 171,685	\$ 11,199	\$ 160,486
Sewer	196,250	12,801	183,449
Total	<u>\$ 367,935</u>	<u>\$ 24,000</u>	<u>\$ 343,935</u>

**NOTE 6 RESTRICTED ASSETS**

Restricted assets represent monies restricted for the following purposes at September 30, 2007:

Customer deposits	<u>\$ 172,811</u>
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**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

Interfund receivable and payable balances at September 30, 2007, consisted of the following:

	<u>Purpose</u>	<u>Amount</u>
Due to: General Fund		
Beach Renourishment	Operations	\$ 24,998
Beach Access	Operations	393,981
Non Major Governmental Funds	Operations	234,875
Proprietary Fund	Advances	12,130
Total due to General Fund		<u>665,984</u>
Due to: Gas Tax Fund		
General Fund	Operations	16,883
Non Major Governmental Funds	Operations	276,731
Total due to Gas Tax Fund		<u>293,614</u>
Due to: Beach Renourishment		
General Fund	Operations	12,687
Due to: Non Major Governmental Funds		
General Fund	Operations	200,680
Non Major Governmental Funds	Operations	211,536
Total due to Non Major Governmental Funds		<u>412,216</u>
Total		<u><u>\$ 1,384,501</u></u>

<u>Transfers In:</u>	<u>General Fund</u>	<u>Purpose</u>
Times Square	\$ 63,960	Operations

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007 is as follows:

<u>Governmental activities:</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,235,748	\$ -	\$ -	\$ 4,235,748
Construction in progress	508,267	449,172	65,355	892,084
<b>Total capital assets not         being depreciated</b>	4,744,015	449,172	65,355	5,127,832
Capital assets being depreciated:				
Buildings and leasehold improvements	2,193,952	-	-	2,193,952
Improvements other than building	81,422	-	-	81,422
Office furniture and equipment	184,595	222,435	-	407,030
Vehicles and other equipment	510,435	101,908	-	612,343
Infrastructure	969,480	93,601	-	1,063,081
<b>Total capital assets         being depreciated</b>	3,939,884	417,944	-	4,357,828
Less accumulated depreciation for:				
Buildings and leasehold improvements	349,255	60,763	-	410,018
Improvements other than building	38,700	6,941	-	45,641
Office furniture and equipment	111,315	26,800	-	138,115
Vehicles and other equipment	290,655	76,556	-	367,211
Infrastructure	44,752	27,744	-	72,496
<b>Total accumulated         depreciation</b>	834,677	198,804	-	1,033,481
<b>Capital assets being     depreciated, net</b>	3,105,207	219,140	-	3,324,347
<b>Governmental activities     capital assets, net</b>	<u>\$ 7,849,222</u>	<u>\$ 668,312</u>	<u>\$ 65,355</u>	<u>\$ 8,452,179</u>

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

<b><u>Governmental activities:</u></b>	
General government	\$ 100,367
Transportation	4,741
Economic environment	14,468
Culture and recreation	79,228
<b>Total depreciation expense, governmental activities</b>	<u>\$ 198,804</u>

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 8 CAPITAL ASSETS (CONTINUED)**

<u>Business-type activities:</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 305,000	\$ -	\$ -	\$ 305,000
Construction in progress	-	-	-	-
<b>Total capital assets not         being depreciated</b>	<b>305,000</b>	<b>-</b>	<b>-</b>	<b>305,000</b>
Capital assets being depreciated:				
Computer equipment	45,364	-	-	45,364
South booster station	328,250	23,700	-	351,950
North booster station	78,361	11,850	-	90,211
Distribution lines	2,750,588	25,710	-	2,776,298
Generators	-	93,904	-	93,904
<b>Total capital assets         being depreciated</b>	<b>3,202,563</b>	<b>155,164</b>	<b>-</b>	<b>3,357,727</b>
Less accumulated depreciation for:				
Computer equipment	18,640	5,891	-	24,531
South booster station	68,213	13,560	-	81,773
North booster station	16,310	3,533	-	19,843
Distribution lines	935,023	183,537	-	1,118,560
Generators	-	-	-	-
<b>Total accumulated         depreciation</b>	<b>1,038,186</b>	<b>206,521</b>	<b>-</b>	<b>1,244,707</b>
<b>Total capital assets being         depreciated, net</b>	<b>2,164,377</b>	<b>(51,357)</b>	<b>-</b>	<b>2,113,020</b>
<b>Total business-type activities         capital assets, net</b>	<b>\$ 2,469,377</b>	<b>\$ (51,357)</b>	<b>\$ -</b>	<b>\$ 2,418,020</b>

**NOTE 9 LONG-TERM OBLIGATIONS**

***Governmental Activities***

**Compensated Absences**

The changes in long-term obligations during fiscal year ended September 30, 2007 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Compensated absences	<u>\$ 51,390</u>	<u>\$ 8,300</u>	<u>\$ -</u>	<u>\$ 59,690</u>	<u>\$ -</u>

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

***Business-type Activities***

Note payable at September 30, 2007, consisted of the following:

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

\$ 2,880,000

**Changes in Long - Term Obligations**

The changes in long-term obligations for the year ended September 30, 2007 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Note payable	<u>\$ 3,060,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 2,880,000</u>	<u>\$ 180,000</u>

The annual debt service requirements for the note payable as of September 30, 2007 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 180,000	\$ 130,029	\$ 310,029
2009	180,000	121,902	301,902
2010	<u>2,520,000</u>	<u>94,671</u>	<u>2,614,671</u>
	<u>\$ 2,880,000</u>	<u>\$ 346,602</u>	<u>\$ 3,226,602</u>

**Loan Agreement**

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

The Town has agreed to fix, establish, and maintain such rates as will provide that annually the net revenue of the Town will be sufficient to pay operating and maintenance expenses and the principal and interest due on the note payable. For the year ended September 30, 2007, net revenues were sufficient to pay the required items.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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, 2007, can be obtained from the Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

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

**NOTE 11 RETIREMENT PLAN**

The Town sponsors a defined contribution pension plan entitled the Town of Fort Myers Beach Pension Plan (the "Plan"). The Plan covers all employees and is administered by the Town. The Plan is a prototype money purchase plan sponsored by VALIC. The Plan can only be amended by VALIC. However, the Town as the Plan administrator can amend the terms within the relate Adoption Agreement, including employer contribution percentages. Contributions to the Plan are based on ten percent of the employee's annual compensation (15% for the Town Manager) and vest 100% to employee upon contribution to the Plan. For the year ended September 30, 2007, contributions to the Plan totaled \$123,214.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

The Town leases office facilities under non-cancelable operating leases. Total costs for such leases were \$111,741 for the year ended September 30, 2007. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2008	\$ 113,150
2009	116,545
2010	120,041
	<u>\$ 349,736</u>

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

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

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

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

On June 1, 2001, Woodard & Curran, Inc. was retained, pursuant to a contract with the Town to provide for the operation and maintenance of the Town's water system. The term of the agreement is for a period of three years, and was most recently renewed on October 1, 2007 extending through September 30, 2010. Pursuant to the agreement, Woodard & Curran Inc. is to receive \$30,538 in monthly compensation for its services. The monthly compensation is to be reviewed annually and adjusted as agreed upon by the Town and Woodard & Curran.

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

On May 22, 2007, Estero Bay Hotel Company, d/b/a Matanzas Inn, was retained to provide services for the operation and management of the Matanzas Harbor Anchorage according to the rules of the Matanzas Harbour Management Plan. The term of the agreement is for a period of three years from May 22, 2007. 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.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

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

In 2007, Aquatic Management, Inc., was retained to provide services for the operation and management of the public pool. The term of the agreement is for a period of three years. Pursuant to the agreement the Town is to make payments by the 15<sup>th</sup> of each month of an amount equal to 1/12<sup>th</sup> of the annual fee of \$234,000. Aquatic Management, Inc. is also eligible to receive an incentive based on gross revenues. For the first year the gross revenue goal is \$93,000 with the incentive and gross revenue goal amounts being negotiated by July 1, 2008 for the remaining two years. In the event that the revenue goal is not met after the first year the Town may reduce the fixed annual fee by an amount mutually agreed upon no later than July 1, 2008.

**NOTE 13 ECONOMIC DEPENDENCY**

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

**NOTE 14 SUBSEQUENT EVENTS**

On September 30, 2007 the Town had approximately \$356,000 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool ("the Pool"). On November 29, 2007 the State Board of Administration issued a temporary freeze on the funds held in the Pool due to an unprecedented amount of withdraws from the Pool coupled with the absences of market liquidity for certain securities within the Pool. The significant amount of withdraws followed reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk. On December 4, 2007, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. As the time of restructuring, all current pool participants had their existing balances proportionally allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 50% of their available liquid balance or \$12 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A add to the available liquid balance and are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Pool A.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 14 SUBSEQUENT EVENTS (CONTINUED)**

Currently, Pool B participants are prohibited from conducting transactions in the Pool. As cash becomes available in Pool B, whether from coupon (interest) receipts, maturities, or sales, it will be distributed among participant accounts in Pool A, according to each participant's pro rata share of Pool B. All such distributions from Pool B will be 100% available liquid balance (ALB) upon transfer. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of May 31, 2008, the Town had \$334,892 and \$28,826 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**TOWN OF FORT MYERS BEACH, FLORIDA  
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2007**

	Old San Carlos	Road Impact	Park Impact	Times Square	Palmetto/ Easy Street	FEMA	Hurricane Wilma	CRA	Totals
<b>ASSETS</b>									
Cash	56,360	\$ 690,535	\$ 378,836	\$ -	\$ 7,536	\$ 316,501	\$ -	\$ -	\$ 1,449,768
Special assessments and other receivables	240,024	-	-	3,970	19,501	-	-	-	263,495
Due from other funds	-	28,980	2,902	168,797	-	-	55,777	155,759	412,215
Due from other governments	-	71,296	5,406	6,564	-	-	2,943	-	86,209
Total assets	<u>\$ 296,384</u>	<u>\$ 790,811</u>	<u>\$ 387,144</u>	<u>\$ 179,331</u>	<u>\$ 27,037</u>	<u>\$ 316,501</u>	<u>\$ 58,720</u>	<u>\$ 155,759</u>	<u>\$ 2,211,687</u>

**LIABILITIES AND FUND BALANCES (DEFICITS)**

**LIABILITIES**

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 8,068	\$ -	\$ -	\$ -	\$ -	\$ 8,068
Due to other funds	155,759	-	-	226,297	20,090	55,777	6,685	258,534	723,142
Deferred revenue	240,024	-	-	40	19,501	-	-	-	259,565
Total liabilities	<u>395,783</u>	<u>-</u>	<u>-</u>	<u>234,405</u>	<u>39,591</u>	<u>55,777</u>	<u>6,685</u>	<u>258,534</u>	<u>990,775</u>

**FUND BALANCES**

Fund balances									
Unreserved, designated for:									
Capital improvements	-	790,811	387,144	-	-	-	-	-	1,177,955
Unreserved, undesignated	(99,399)	-	-	(55,074)	(12,554)	260,724	52,035	(102,775)	42,957
Total fund balances (deficits)	<u>(99,399)</u>	<u>790,811</u>	<u>387,144</u>	<u>(55,074)</u>	<u>(12,554)</u>	<u>260,724</u>	<u>52,035</u>	<u>(102,775)</u>	<u>1,220,912</u>
Total liabilities and fund balances (deficits)	<u>\$ 296,384</u>	<u>\$ 790,811</u>	<u>\$ 387,144</u>	<u>\$ 179,331</u>	<u>\$ 27,037</u>	<u>\$ 316,501</u>	<u>\$ 58,720</u>	<u>\$ 155,759</u>	<u>\$ 2,211,687</u>

**TOWN OF FORT MYERS BEACH, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – SPECIAL REVENUE FUNDS  
YEAR ENDED SEPTEMBER 30, 2007**

	Old San Carlos	Road Impact	Park Impact	Times Square	Palmetto / Easy Street	FEMA	Hurricane Wilma	CRA	Totals
<b>REVENUES</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	\$ -	\$ -	\$ -	\$ 17,917	\$ -	\$ -	\$ -	\$ 4,440	\$ 22,357
Intergovernmental	-	-	-	-	-	64,348	7,359	-	71,707
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Special assessments/impact fees	52,373	80,531	9,161	43,688	2,223	-	-	-	187,976
Interest	4,148	36,507	20,124	-	1,422	-	-	-	62,201
Total revenues	<u>56,521</u>	<u>117,038</u>	<u>29,285</u>	<u>61,605</u>	<u>3,645</u>	<u>64,348</u>	<u>7,359</u>	<u>4,440</u>	<u>344,241</u>
<b>EXPENDITURES</b>									
<b>Current</b>									
General Government	161	931	513	-	-	-	-	7,940	9,545
Public Safety	-	-	-	-	-	7,756	-	-	7,756
Transportation	-	-	-	-	18	-	-	-	18
Culture/Recreation	-	-	-	178,392	-	-	-	94	178,486
Total expenditures	<u>161</u>	<u>931</u>	<u>513</u>	<u>178,392</u>	<u>18</u>	<u>7,756</u>	<u>-</u>	<u>8,034</u>	<u>195,805</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,360</u>	<u>116,107</u>	<u>28,772</u>	<u>(116,787)</u>	<u>3,627</u>	<u>56,592</u>	<u>7,359</u>	<u>(3,594)</u>	<u>148,436</u>
<b>OTHER FINANCING SOURCES</b>									
Operating transfers in	-	-	-	63,960	-	-	-	-	63,960
Operating transfers (out)	-	-	-	-	-	-	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,960</u>
Excess of revenues over (under) expenditures and other financing sources	<u>56,360</u>	<u>116,107</u>	<u>28,772</u>	<u>(52,827)</u>	<u>3,627</u>	<u>56,592</u>	<u>7,359</u>	<u>(3,594)</u>	<u>212,396</u>
<b>FUND BALANCES (deficit), October 1, 2006</b>	<u>(155,759)</u>	<u>674,704</u>	<u>358,372</u>	<u>(2,247)</u>	<u>(16,181)</u>	<u>204,132</u>	<u>44,676</u>	<u>(99,181)</u>	<u>1,008,516</u>
<b>FUND BALANCES (deficit), September 30, 2007</b>	<u>\$ (99,399)</u>	<u>\$ 790,811</u>	<u>\$ 387,144</u>	<u>\$ (55,074)</u>	<u>\$ (12,554)</u>	<u>\$ 260,724</u>	<u>\$ 52,035</u>	<u>\$ (102,775)</u>	<u>\$ 1,220,912</u>

## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Myers Beach, Florida (the "Town") as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

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

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

## **2007- 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.

## **2007- 02 Current Year Audit Adjustments**

### Criteria

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

### Condition

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

### Cause

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

### Effect

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

### Recommendation

We understand that this material weakness is already known to management and represents a conscious decision by management and the Council to accept that degree of risk because of cost or other

considerations. We acknowledge the fact that management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions to ensure that the Council is aware of this situation.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses; however, we consider item 2007-2 described above to be a material weakness.

### **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*.

We noted certain matters that we reported to management of the Town in a separate letter dated August 20, 2008.

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

*LarsonAllen LLP*  
**LARSONALLEN LLP**

Fort Myers, Florida  
August 20, 2008

## MANAGEMENT LETTER

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

We have audited the financial statements of the Town of Fort Myers Beach (the "Town"), as of and for the fiscal year ended September 30, 2007, and have issued our report, thereon, dated August 20, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters dated August 20, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

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 significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

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, accounting procedures, and internal controls. In connection with our audit, our recommendations are as follows:

## **Prior Year Findings and Recommendations:**

### **04-02**

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

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

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

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

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

### **05-04:**

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

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

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

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

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

### **05-05:**

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

**Condition** – The Town does not consistently send a *statement of account* to property owners showing the balance due on special assessments.

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

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

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

**06-01**

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

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

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

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

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

**Current Year Findings and Recommendations:**

**07-01**

**Criteria:** Per Florida State Statute 717.117 the Town should remit unclaimed funds to the state on May 1<sup>st</sup> of each year.

**Conditions:** Bank reconciliations indicate several outstanding checks from the Town that are in excess of two years old.

**Cause:** Town personnel are not tracking and remitting unclaimed funds properly.

**Effect:** Potential violation of Florida State Statute 717.117.

**Recommendation:** Accounting personnel should be responsible for reviewing all outstanding checks from the Town as part of the monthly bank reconciliation procedure. Unclaimed funds should be remitted to the State annually.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse 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, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures

inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the 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 regarding financial emergencies, and identification of the specific conditions 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, 2007, 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, 2007. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

*L. Larson Allen LLP*

**LARSONALLEN LLP**

Fort Myers, Florida  
August 20, 2008



## Town of Fort Myers Beach

Larry Kiker  
Mayor

Herb Acken  
Vice Mayor

Tom Babcock  
Councilmember

Jo List  
Councilmember

Bob Raymond  
Councilmember

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

From: Evelyn Wicks, Director of Finance *Evelyn Wicks*

Date: September 8, 2008

Re: Management letter for year ending 9/30/07-Town of Fort Myers Beach

### **Current Year Comments**

#### **07-01**

Per Florida State Statute 717.117 the Town should remit unclaimed funds to the state on May 1<sup>st</sup> of each year.

#### **Management's Response**

Accounting personnel will review all outstanding checks from the Town as part of the monthly bank reconciliation procedure and unclaimed funds will be remitted to the State in a timely manner.

#### **IC 2007-01 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**

In addition to an unusual staff turnover since 2006 and because the Town has a very limited accounting staff, some items that would normally be developed by the staff are often delegated to outside firms. In the budget process for the upcoming year, the Town has included funds to hire an accounting professional to make quarterly and year-end adjustments; prepare the draft financial statements and make necessary changes, additions and subtractions to the financial statements and related notes.

## **IC 2007-02 Current Year Audit Adjustments**

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

### **Management's Response**

In addition to an unusual staff turnover since 2006 and because The Town has a very limited accounting staff, some items that would normally be developed by the staff are often delegated to outside firms. In the budget process for the upcoming year, the Town has included funds to hire an accounting professional to prepare year-end adjustments, verify revenues and disbursements. In addition, The Town is developing a system of identifying all capital assets and through the course of the next several years, each Town owned capital asset will be identified, tagged and tracked. Once all the items have been verified, additions and deletions of assets will be handled on a real-time basis.

### **Prior Year Comments**

#### **06-01**

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

### **Management's Response**

The Town is developing a system of identifying all capital assets and through the course of the next several years, each Town owned capital asset will be identified, tagged and tracked. Once all the items have been verified, additions and deletions of assets will be handled on a real-time basis. All dispositions of capital equipment must be approved by the Department Head and Director of Finance.

#### **05-05**

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

### **Management's Response**

The majority of Special Assessments for the Old San Carlos Streetscape project will be collected during the 2008 fiscal year. Palmetto/Easy Street assessments remain active and benefitted property owners continue to make payments as required. The town anticipates a number of new special assessment projects in future years. The Town plans to have any new projects invoiced and collected by Lee County.

**05-04**

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

**Management's Response**

The Finance Department staff and Public Works Director have been working on a resolution for the outstanding special assessments. The Town has two special assessment projects currently outstanding. Once these assessments are paid and collected, the Town plans to have any new projects invoiced and collected by Lee County.

**04-02**

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

**Management's Response**

During the current FY, the staff documented the maintenance service, employee costs and supplies that should be allocated among other funds. The transfers, although monitored, were not transferred to the other departments. Management anticipates that 9/30/08 year-end appropriate transfers will be completed.