

**TOWN OF FORT MYERS BEACH, FLORIDA**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2009**

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## INDEPENDENT AUDITORS' REPORT

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, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2009, 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 Renourishment Fund and the Laguna Shores 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 May 24, 2010 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.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The 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  
May 24, 2010

## 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, 2009.

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, 2009, the assets of the Town of Fort Myers Beach exceeded its liabilities by \$26,323,369 (net assets). Of this amount, \$9,241,005 of unrestricted net assets may be used to meet the Town's ongoing obligations. The Town has restricted \$400,000 for future capital improvements and deferred maintenance for the Bay Oaks Recreation Center.
- The Town's total net assets increased by \$8,977,596. Of this increase \$6,407,660 is attributed to the acquisition of the Bay Oaks Recreation Center.
- The Town of Fort Myers Beach's governmental funds reported combined ending fund balances of \$9,590,772 as of September 30, 2009. This is an increase of \$1,309,077 over the September 30, 2008 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 2009 fiscal year. The statement reflects the expenses of a given function or segment, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes are reported under general revenue.

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

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

## **Fund Financial Statements**

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

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

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

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

## **Notes to the Financial Statements**

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

## **AN OVERVIEW OF THE TOWN**

### **GOVERNMENT-WIDE STATEMENTS**

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

## Summary of Net Assets

The following table reflects a summary of Net Assets for the fiscal years September 30, 2009 and 2008:

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

|  | Governmental<br>Activities |                      | Business-type<br>Activities |                     | Total                |                      |
|--|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
|  | 2009                       | 2008                 | 2009                        | 2008                | 2009                 | 2008                 |
| Current and other assets                           | \$ 10,190,356              | \$ 8,559,786         | \$ 3,472,536                | \$ 3,141,655        | \$ 13,662,892        | \$ 11,701,441        |
| Capital assets, net                                | 16,682,364                 | 9,141,588            | 2,296,077                   | 2,360,615           | 18,978,441           | 11,502,203           |
| Total assets                                       | <u>26,872,720</u>          | <u>17,701,374</u>    | <u>5,768,613</u>            | <u>5,502,270</u>    | <u>32,641,333</u>    | <u>23,203,644</u>    |
| Current and other liabilities                      | 495,756                    | 230,781              | 3,817,330                   | 3,621,420           | 4,313,086            | 3,852,201            |
| Noncurrent liabilities                             | 53,595                     | 54,387               | -                           | -                   | 53,595               | 54,387               |
| Total liabilities                                  | <u>549,351</u>             | <u>285,168</u>       | <u>3,817,330</u>            | <u>3,621,420</u>    | <u>4,366,681</u>     | <u>3,906,588</u>     |
| Net assets:  |                            |                      |                             |                     |                      |                      |
| Invested in capital assets,<br>net of related debt | 16,682,364                 | 9,141,588            | (223,923)                   | (339,385)           | 16,458,441           | 8,802,203            |
| Restricted   | 400,000                    | -                    | -                           | -                   | 400,000              | -                    |
| Unrestricted                                       | 9,241,005                  | 8,274,618            | 2,175,206                   | 2,220,235           | 11,416,211           | 10,494,853           |
| Total net assets                                   | <u>\$ 26,323,369</u>       | <u>\$ 17,416,206</u> | <u>\$ 1,951,283</u>         | <u>\$ 1,880,850</u> | <u>\$ 28,274,652</u> | <u>\$ 19,297,056</u> |

- For governmental activities net assets, \$16,682,364, or 63%, represent the amount invested in capital assets, less the outstanding debt used to acquire those assets. The 2009 balance reflects an increase of \$7,540,776, or 82%, over 2008. The increase is primarily due to the acquisition of the Bay Oaks Recreation Center facility from Lee County. The Town uses these assets to provide services to its citizens and therefore, these assets are not available for future spending. It should also be noted that other resources will be required to repay the outstanding debt on capital assets. This balance represents resources that are subject to external restriction on how they may be used.
- Unrestricted net assets increased by \$921,358, or 9%, over 2008. Unrestricted net assets account for 40% of the Town's total net assets. These net assets may be used to meet the Town's ongoing obligations to citizens and creditors.
- Restricted net assets of \$400,000 represent funds that were received in conjunction with the Bay Oaks Recreation Center facility transfer from Lee County. This amount represents cash restricted for ongoing operational expenditures for the facility.

## Summary of Changes in Net Assets

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

| Town of Fort Myers Beach<br>Summary of Changes in Net Assets |                            |                      |                             |                     |                      |                      |
|--|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
|  | Governmental<br>Activities |                      | Business-type<br>Activities |                     | Total                |                      |
|  | <u>2009</u>                | <u>2008</u>          | <u>2009</u>                 | <u>2008</u>         | <u>2009</u>          | <u>2008</u>          |
| <b>Revenues:</b>   |                            |                      |                             |                     |                      |                      |
| <b>Program revenues</b>                                      |                            |                      |                             |                     |                      |                      |
| Charges for services   | \$ 1,047,881               | \$ 814,428           | \$ 2,575,738                | \$ 2,344,561        | \$ 3,623,619         | \$ 3,158,989         |
| Operating grants and contributions                           | 760,249                    | 425,295              | -                           | -                   | 760,249              | 425,295              |
| Capital grants and contributions                             | 6,859,605                  | 463,101              | 13,093                      | 2,926               | 6,872,698            | 466,027              |
| <b>General revenues</b>                                      |                            |                      |                             |                     |                      |                      |
| Property taxes   | 2,336,791                  | 2,285,519            | -                           | -                   | 2,336,791            | 2,285,519            |
| Gas taxes  | 1,993,951                  | 435,475              | -                           | -                   | 1,993,951            | 435,475              |
| Franchise fees   | 87,723                     | 85,660               | -                           | -                   | 87,723               | 85,660               |
| Communications services taxes                                | 726,955                    | 627,498              | -                           | -                   | 726,955              | 627,498              |
| Intergovernmental revenues                                   | 624,135                    | 727,958              | -                           | -                   | 624,135              | 727,958              |
| Impact fees  | 18,878                     | 106,935              | -                           | -                   | 18,878               | 106,935              |
| Investment earnings  | 383,235                    | 274,367              | 12,341                      | 83,875              | 395,576              | 358,242              |
| Miscellaneous  | 92,297                     | 53,867               | -                           | -                   | 92,297               | 53,867               |
| Total revenues   | <u>14,931,700</u>          | <u>6,300,103</u>     | <u>2,601,172</u>            | <u>2,431,362</u>    | <u>17,532,872</u>    | <u>8,731,465</u>     |
| <b>Expenses:</b>   |                            |                      |                             |                     |                      |                      |
| <b>Program expenses</b>                                      |                            |                      |                             |                     |                      |                      |
| <b>Governmental Activities</b>                               |                            |                      |                             |                     |                      |                      |
| General government   | 3,052,432                  | 3,149,490            | -                           | -                   | 3,052,432            | 3,149,490            |
| Public safety  | 817                        | 31,148               | -                           | -                   | 817                  | 31,148               |
| Physical environment   | 386,422                    | 704,564              | -                           | -                   | 386,422              | 704,564              |
| Transportation   | 1,593,960                  | 1,143,982            | -                           | -                   | 1,593,960            | 1,143,982            |
| Culture/recreation   | 976,552                    | 994,103              | -                           | -                   | 976,552              | 994,103              |
| <b>Business-type activities</b>                              |                            |                      |                             |                     |                      |                      |
| Water Utility  | -                          | -                    | 2,530,739                   | 2,395,892           | 2,530,739            | 2,395,892            |
| Total expenses   | <u>6,024,537</u>           | <u>6,023,287</u>     | <u>2,530,739</u>            | <u>2,395,892</u>    | <u>8,555,276</u>     | <u>8,419,179</u>     |
| Increase in net assets                                       | 8,907,163                  | 276,816              | 70,433                      | 35,470              | 8,977,596            | 312,286              |
| Net assets - beginning                                       | 17,416,206                 | 17,139,390           | 1,880,850                   | 1,845,380           | 19,297,056           | 18,984,770           |
| Net assets - ending  | <u>\$ 26,323,369</u>       | <u>\$ 17,416,206</u> | <u>\$ 1,951,283</u>         | <u>\$ 1,880,850</u> | <u>\$ 28,274,652</u> | <u>\$ 19,297,056</u> |

Total revenues increased by \$8,801,407 or 101% in comparison to the prior year. This increase was primarily due to the donation of the Bay Oaks Recreation Center Facility from Lee County.

Total expenses increased by \$136,097 or 1.6% in comparison to the prior year.

## Governmental Activities

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

The cost of all governmental activities this fiscal year was \$6.0 million, consistent with the \$6.0 million for fiscal 2008. As show in the Statement of Activities (page 12), the earnings from governmental activities were \$2.6 million compared to a net cost of \$4.3 million for 2008. Revenues contributing to earnings from governmental activities consisted of:

- Approximately \$1,047,880 in charges for services of which there was approximately \$55,000 in revenue from fines and forfeitures, approximately \$250,361 from parking facilities revenues, with the remainder from various fees for general government service.
- Approximately \$760,250 in operating grants and contributions. These grants include a \$400,000 operating grant for the Bay Oaks Recreation Center.
- Approximately \$6,872,700 in capital grants and contributions, which is mainly comprised of the donation of the Bay Oaks Recreation Center facility from Lee County to the Town.

### Town of Fort Myers Beach Governmental Activities

|                      | Total cost<br>of services |                     | Net cost (earnings)<br>of services |                     |
|----------------------|---------------------------|---------------------|------------------------------------|---------------------|
|                      | 2009                      | 2008                | 2009                               | 2008                |
| Public safety        | \$ 817                    | \$ 31,148           | \$ 817                             | \$ 31,148           |
| Physical environment | 386,422                   | 704,564             | 386,422                            | 704,564             |
| Transportation       | 1,593,960                 | 1,143,982           | 940,631                            | 567,182             |
| Economic environment | 14,354                    | -                   | (73,025)                           | -                   |
| Culture/recreation   | 976,552                   | 994,103             | (6,653,543)                        | 47,356              |
| General government   | 3,052,432                 | 3,149,490           | 2,755,500                          | 2,970,213           |
| Totals               | <u>\$ 6,024,537</u>       | <u>\$ 6,023,287</u> | <u>\$ (2,643,198)</u>              | <u>\$ 4,320,463</u> |

## Business-type Activities

Revenues of the Town's business-type activities totaled \$2,601,172 and \$2,431,362 for 2009 and 2008, respectively. Operating expenses totaled \$2,530,739 and \$2,395,892 for 2009 and 2008, respectively. The increase in net assets was \$70,433 and \$35,470 for 2009 and 2008, 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 \$3,814,416. During the current fiscal year, the fund balance of the Town's General Fund increased by \$304,764.

The *Gas Tax Fund* is used to account for gas taxes and other resources dedicated to road related projects. This fund has a total fund balance of \$3,615,532, all of which is dedicated to road improvements and transportation related items. This fund balance increased by \$1,196,804 in FY 2009. During this fiscal year, the Town received a payment of \$1,660,948 from Lee County. This payment represented gas tax revenues that the county had been holding for the benefit of Fort Myers Beach.

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 \$1,171,642. The fund was originally established by a transfer from the General Fund and the only other revenue source is accumulated interest.

The *Laguna Shores Fund* is used to account for funds and other resources dedicated to dredging the interior canal system in the Laguna Shores subdivision. The current accumulated fund deficit of \$57,157 is a result of assessments that were levied and not collected in the current year. This fund deficit balance is expected to be recovered in subsequent years when the assessments are paid.

The *Capital Projects Fund* is maintained by transfers from the general fund. The current accumulated fund deficit of \$270,619 is a result of current expenditures in excess of transfers into the fund in the current year. The Town expects the deficit to be recovered in subsequent years from inter-fund transfers.

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

### **Proprietary Funds**

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

### **BUDGETARY HIGHLIGHTS**

During the year, there was a \$379,952 decrease in budgeted revenue in the general fund between the original and final amended budget. Following are the main components of the decrease:

- \$143,852 – Licenses and permits revenue was decreased based on actual receipts.
- \$70,474 – Charges for services was decreased based on actual receipts.
- \$137,500 – Interest earnings were decreased based on actual earnings.

Revenue budget-to-actual in the general fund resulted in a \$363,826, or 6.6%, positive revenue variance due primarily to the receipt of \$400,000 in operational funds from Lee County for the Bay Oaks Recreation Center.

Budget-to-actual expenditures show a \$615,121 positive variance (actual less than final budget). This decrease was consistent throughout all departments and reflects the continued efforts to reduce costs in the current year

A more detailed analysis of the general fund budget comparison can be found on page 17.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

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

|                                      | Governmental Activities |                     | Business- type Activities |                     | Totals               |                      |
|--------------------------------------|-------------------------|---------------------|---------------------------|---------------------|----------------------|----------------------|
|                                      | <u>2009</u>             | <u>2008</u>         | <u>2009</u>               | <u>2008</u>         | <u>2009</u>          | <u>2008</u>          |
| Land                                 | \$ 9,957,688            | \$ 4,235,748        | \$ 305,000                | \$ 305,000          | \$ 10,262,688        | \$ 4,540,748         |
| Buildings and leasehold improvements | 2,238,058               | 1,607,576           | -                         | -                   | 2,238,058            | 1,607,576            |
| Improvements other than buildings    | 21,899                  | 28,840              | -                         | -                   | 21,899               | 28,840               |
| Office furniture and equipment       | 202,905                 | 278,963             | -                         | -                   | 202,905              | 278,963              |
| Vehicles and other equipment         | 596,781                 | 324,505             | -                         | -                   | 596,781              | 324,505              |
| Infrastructure                       | 1,101,578               | 1,069,028           | 1,818,752                 | 1,928,615           | 2,920,330            | 2,997,643            |
| Construction in progress             | 2,563,455               | 1,596,928           | 172,325                   | 127,000             | 2,735,780            | 1,723,928            |
| Total capital assets                 | <u>\$ 16,682,364</u>    | <u>\$ 9,141,588</u> | <u>\$ 2,296,077</u>       | <u>\$ 2,360,615</u> | <u>\$ 18,978,441</u> | <u>\$ 11,502,203</u> |

Approximately \$6.4 million of the increase in capital assets in the current year was due to the acquisition of the Bay Oaks Recreation Facility. 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, 2009 and 2008, the Town had \$2,573,595 and \$2,754,387, respectively, in long-term liabilities. The following table provides a breakdown:

**Town of Fort Myers Beach  
Outstanding Debt**

|                      | Governmental Activities |                  | Business- type Activities |                     | Totals              |                     |
|----------------------|-------------------------|------------------|---------------------------|---------------------|---------------------|---------------------|
|                      | <u>2009</u>             | <u>2008</u>      | <u>2009</u>               | <u>2008</u>         | <u>2009</u>         | <u>2008</u>         |
| Current note payable | \$ -                    | \$ -             | \$ 2,520,000              | \$ 2,700,000        | \$ 2,520,000        | \$ 2,700,000        |
| Compensated absences | 53,595                  | 54,387           | -                         | -                   | 53,595              | 54,387              |
| Total liabilities    | <u>\$ 53,595</u>        | <u>\$ 54,387</u> | <u>\$ 2,520,000</u>       | <u>\$ 2,700,000</u> | <u>\$ 2,573,595</u> | <u>\$ 2,754,387</u> |

The \$2,520,000 note payable in business-type activities is classified as a current liability due to violations of the debt covenants with the lender. Additional information on the Town's long-term debt can be found in Note 9 to the financial statements.

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

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

The following factors were considered in preparing the Town's budget for the 2010 fiscal year:

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

### **Requests for Information**

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

|  | Primary Government         |                             |                      |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>ASSETS</b>  |                            |                             |                      |
| Cash and cash equivalents                                      | \$ 4,346,389               | \$ 3,038,113                | \$ 7,384,502         |
| Investments  | 4,886,309                  | -                           | 4,886,309            |
| Due from other governments                                     | 181,700                    | -                           | 181,700              |
| Accounts receivable, net                                       | 1,440                      | 442,883                     | 444,323              |
| Special assessments receivable                                 | 103,828                    | -                           | 103,828              |
| Prepaid expenses   | 41,662                     | -                           | 41,662               |
| Internal balances  | 229,028                    | (229,028)                   | -                    |
| Restricted cash  | 400,000                    | 217,096                     | 617,096              |
| Unamortized debt issuance costs                                | -                          | 3,472                       | 3,472                |
| Capital assets (net of accumulated depreciation):              |                            |                             |                      |
| Land   | 9,957,688                  | 305,000                     | 10,262,688           |
| Buildings and leasehold improvements                           | 2,238,058                  | 307,448                     | 2,545,506            |
| Improvements other than buildings                              | 21,899                     | -                           | 21,899               |
| Office furniture and equipment                                 | 202,905                    | 166                         | 203,071              |
| Vehicles and other equipment                                   | 596,781                    | 78,611                      | 675,392              |
| Infrastructure   | 1,101,578                  | 1,432,527                   | 2,534,105            |
| Construction in progress                                       | 2,563,455                  | 172,325                     | 2,735,780            |
| Total assets   | <u>26,872,720</u>          | <u>5,768,613</u>            | <u>32,641,333</u>    |
| <b>LIABILITIES</b>   |                            |                             |                      |
| Accounts payable and other accrued liabilities                 | 495,756                    | 274,985                     | 770,741              |
| Customer refunds payable                                       | -                          | 7,574                       | 7,574                |
| Due to other governments                                       | -                          | 797,675                     | 797,675              |
| Liabilities payable from restricted assets - customer deposits | -                          | 217,096                     | 217,096              |
| Long-term liabilities:   |                            |                             |                      |
| Due within one year  | -                          | 2,520,000                   | 2,520,000            |
| Due in more than one year                                      | 53,595                     | -                           | 53,595               |
| Total Liabilities  | <u>549,351</u>             | <u>3,817,330</u>            | <u>4,366,681</u>     |
| <b>NET ASSETS</b>  |                            |                             |                      |
| Invested in capital assets, net of related debt                | 16,682,364                 | (223,923)                   | 16,458,441           |
| Restricted for recreation center                               | 400,000                    | -                           | 400,000              |
| Unrestricted   | 9,241,005                  | 2,175,206                   | 11,416,211           |
| Total net assets   | <u>\$ 26,323,369</u>       | <u>\$ 1,951,283</u>         | <u>\$ 28,274,652</u> |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2009**

| Functions/Programs  | Program Revenues |                         |  | Net (Expense) Revenue and Changes<br>in Net Assets |                            |                             |                |
|---|------------------|-------------------------|--|--|----------------------------|-----------------------------|----------------|
|   | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions             | Primary Government         |                             | Total          |
|   |                  |                         |  |  | Governmental<br>Activities | Business-type<br>Activities |                |
| <b>Primary government:</b>                                      |                  |                         |  |  |                            |                             |                |
| Governmental activities:  |                  |                         |  |  |                            |                             |                |
| General government  | \$ 3,052,432     | \$ 199,028              | \$ 97,904                                | \$ -   | \$ (2,755,500)             | \$ -                        | \$ (2,755,500) |
| Public safety   | 817              | -                       | -  | -  | (817)                      | -                           | (817)          |
| Physical environment  | 386,422          | -                       | -  | -  | (386,422)                  | -                           | (386,422)      |
| Transportation  | 1,593,960        | 653,329                 | -  | -  | (940,631)                  | -                           | (940,631)      |
| Economic environment  | 14,354           | 87,379                  | -  | -  | 73,025                     | -                           | 73,025         |
| Culture/Recreation  | 976,552          | 108,145                 | 662,345                                  | 6,859,605  | 6,653,543                  | -                           | 6,653,543      |
| Total governmental activities                                   | 6,024,537        | 1,047,881               | 760,249                                  | 6,859,605  | 2,643,198                  | -                           | 2,643,198      |
| Business-type activities:                                       |                  |                         |  |  |                            |                             |                |
| Water   | 2,530,739        | 2,575,738               | -  | 13,093   | -                          | 58,092                      | 58,092         |
| Total primary government  | \$ 8,555,276     | \$ 3,623,619            | \$ 760,249                               | \$ 6,872,698                                       | 2,643,198                  | 58,092                      | 2,701,290      |
| General revenues:   |                  |                         |  |  |                            |                             |                |
| Property taxes, levied for general purposes                     |                  |                         |  |  | 2,336,791                  | -                           | 2,336,791      |
| Gas taxes   |                  |                         |  |  | 1,993,951                  | -                           | 1,993,951      |
| Franchise fees  |                  |                         |  |  | 87,723                     | -                           | 87,723         |
| Communications services taxes                                   |                  |                         |  |  | 726,955                    | -                           | 726,955        |
| Intergovernmental revenues, not restricted to specific programs |                  |                         |  |  | 624,135                    | -                           | 624,135        |
| Impact fees   |                  |                         |  |  | 18,878                     | -                           | 18,878         |
| Investment earnings   |                  |                         |  |  | 383,235                    | 12,341                      | 395,576        |
| Miscellaneous   |                  |                         |  |  | 92,297                     | -                           | 92,297         |
| Total general revenues  |                  |                         |  |  | 6,263,965                  | 12,341                      | 6,276,306      |
| Change in net assets  |                  |                         |  |  | 8,907,163                  | 70,433                      | 8,977,596      |
| Net assets - beginning  |                  |                         |  |  | 17,416,206                 | 1,880,850                   | 19,297,056     |
| Net assets - ending   |                  |                         |  |  | \$ 26,323,369              | \$ 1,951,283                | \$ 28,274,652  |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

|   | General      | Gas Tax      | Beach<br>Renourishment | Laguna<br>Shores | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------|--------------|------------------------|------------------|---------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                                 |              |              |                        |                  |                     |                                |                                |
| Cash and cash equivalents - unrestricted      | \$ 632,339   | \$ 1,913,589 | \$ -                   | \$ 143,953       | \$ 61,492           | \$ 1,595,016                   | \$ 4,346,389                   |
| Cash and cash equivalents - restricted        | 400,000      | -            | -                      | -                | -                   | -                              | 400,000                        |
| Investments                                   | 2,291,173    | 1,410,109    | 1,185,027              | -                | -                   | -                              | 4,886,309                      |
| Special assessments and other receivables     | 1,440        | -            | -                      | 57,883           | -                   | 45,945                         | 105,268                        |
| Prepaid expenses                              | 41,662       | -            | -                      | -                | -                   | -                              | 41,662                         |
| Due from other funds                          | 443,523      | 285,916      | -                      | -                | -                   | -                              | 729,439                        |
| Due from other governments                    | 158,017      | 23,683       | -                      | -                | -                   | -                              | 181,700                        |
| Total assets                                  | \$ 3,968,154 | \$ 3,633,297 | \$ 1,185,027           | \$ 201,836       | \$ 61,492           | \$ 1,640,961                   | \$ 10,690,767                  |
| <b>LIABILITIES AND FUND BALANCES</b>          |              |              |                        |                  |                     |                                |                                |
| Liabilities:                                  |              |              |                        |                  |                     |                                |                                |
| Account payable and accrued liabilities       | \$ 144,543   | \$ 17,765    | \$ -                   | \$ -             | \$ 332,111          | \$ 1,337                       | \$ 495,756                     |
| Due to other funds                            | 9,185        | -            | 13,385                 | 201,110          | -                   | 276,731                        | 500,411                        |
| Deferred revenue                              | -            | -            | -                      | 57,883           | -                   | 45,945                         | 103,828                        |
| Total liabilities                             | 153,728      | 17,765       | 13,385                 | 258,993          | 332,111             | 324,013                        | 1,099,995                      |
| Fund balances:                                |              |              |                        |                  |                     |                                |                                |
| Reserved for recreation center                | 400,000      | -            | -                      | -                | -                   | -                              | 400,000                        |
| Unreserved, reported in:                      |              |              |                        |                  |                     |                                |                                |
| General fund                                  | 3,414,426    | -            | -                      | -                | -                   | -                              | 3,414,426                      |
| Special revenue funds                         | -            | 3,615,532    | 1,171,642              | (57,157)         | -                   | 1,316,948                      | 6,046,965                      |
| Capital Projects fund                         | -            | -            | -                      | -                | (270,619)           | -                              | (270,619)                      |
| Total fund balances (deficit)                 | 3,814,426    | 3,615,532    | 1,171,642              | (57,157)         | (270,619)           | 1,316,948                      | 9,590,772                      |
| Total liabilities and fund balances (deficit) | \$ 3,968,154 | \$ 3,633,297 | \$ 1,185,027           | \$ 201,836       | \$ 61,492           | \$ 1,640,961                   | \$ 10,690,767                  |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

Fund balance totals: \$ 9,590,772

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

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

|                                |                    |            |
|--------------------------------|--------------------|------------|
| Capital assets                 | 18,204,534         |            |
| Less: Accumulated depreciation | <u>(1,522,170)</u> | 16,682,364 |

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

103,828

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

|                      |  |                 |
|----------------------|--|-----------------|
| Compensated absences |  | <u>(53,595)</u> |
|----------------------|--|-----------------|

Net assets of governmental activities

\$ 26,323,369

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2009**

|  | General      | Gas Tax      | Beach<br>Renourishment | Laguna<br>Shores | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------|--------------|------------------------|------------------|---------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |              |              |                        |                  |                     |                                |                                |
| Taxes  |              |              |                        |                  |                     |                                |                                |
| Property   | \$ 2,336,792 | \$ -         | \$ -                   | \$ -             | \$ -                | \$ -                           | \$ 2,336,792                   |
| Gas  | -            | 1,993,951    | -                      | -                | -                   | -                              | 1,993,951                      |
| Franchise  | 87,723       | -            | -                      | -                | -                   | -                              | 87,723                         |
| Communications services                                      | 726,955      | -            | -                      | -                | -                   | -                              | 726,955                        |
| Licenses and permits   | 200,274      | -            | -                      | -                | -                   | 16,939                         | 217,213                        |
| Intergovernmental revenues                                   | 1,290,297    | 39,105       | -                      | -                | 349,860             | 120,395                        | 1,799,657                      |
| Charges for services   | 547,744      | -            | -                      | -                | -                   | -                              | 547,744                        |
| Fines and forfeitures  | 55,012       | -            | -                      | -                | -                   | -                              | 55,012                         |
| Miscellaneous  |              |              |                        |                  |                     |                                |                                |
| Special assessments/Impact fees                              | 8,479        | -            | -                      | 143,228          | -                   | 36,176                         | 187,883                        |
| Interest   | 161,859      | 119,099      | 95,726                 | 740              | -                   | 6,759                          | 384,183                        |
| Other  | 89,072       | -            | -                      | -                | 41,340              | -                              | 130,412                        |
| Total revenues   | 5,504,207    | 2,152,155    | 95,726                 | 143,968          | 391,200             | 180,269                        | 8,467,525                      |
| <b>EXPENDITURES</b>  |              |              |                        |                  |                     |                                |                                |
| Current  |              |              |                        |                  |                     |                                |                                |
| General government   | 2,823,859    | -            | -                      | -                | -                   | 51,545                         | 2,875,404                      |
| Public safety  | 817          | -            | -                      | -                | -                   | -                              | 817                            |
| Physical environment   | 301,575      | -            | -                      | -                | -                   | 78,966                         | 380,541                        |
| Transportation   | 921,776      | 371,141      | -                      | 274,537          | -                   | 2,495                          | 1,569,949                      |
| Culture/Recreation   | 850,853      | -            | 1,074                  | -                | -                   | 83,408                         | 935,335                        |
| Capital Outlay   | 102,330      | 128,540      | -                      | -                | 1,117,489           | 48,043                         | 1,396,402                      |
| Total expenditures   | 5,001,210    | 499,681      | 1,074                  | 274,537          | 1,117,489           | 264,457                        | 7,158,448                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | 502,997      | 1,652,474    | 94,652                 | (130,569)        | (726,289)           | (84,188)                       | 1,309,077                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |              |              |                        |                  |                     |                                |                                |
| Operating transfer in  | -            | -            | -                      | 73,412           | 455,670             | 124,821                        | 653,903                        |
| Operating transfers out                                      | (198,233)    | (455,670)    | -                      | -                | -                   | -                              | (653,903)                      |
| Total other financing sources (uses)                         | (198,233)    | (455,670)    | -                      | 73,412           | 455,670             | 124,821                        | -                              |
| Net change in fund balances                                  | 304,764      | 1,196,804    | 94,652                 | (57,157)         | (270,619)           | 40,633                         | 1,309,077                      |
| <b>FUND BALANCES, October 1, 2008</b>                        | 3,509,662    | 2,418,728    | 1,076,990              | -                | -                   | 1,276,315                      | 8,281,695                      |
| <b>FUND BALANCES, September 30, 2009</b>                     | \$ 3,814,426 | \$ 3,615,532 | \$ 1,171,642           | \$ (57,157)      | \$ (270,619)        | \$ 1,316,948                   | \$ 9,590,772                   |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2009**

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

Net change in Fund balances - total governmental funds \$ 1,309,077

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

|                |                  |           |
|----------------|------------------|-----------|
| Capital Outlay | 1,396,402        |           |
| Depreciation   | <u>(263,286)</u> | 1,133,116 |

Donation of capital assets 6,407,660

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but are instead deferred. This item represents the change caused by the "available" revenue recognition criteria. 56,520

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 9/30/2009 from 9/30/2008. 790

Change in net assets of governmental activities \$ 8,907,163

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2009**

|  | Budgets          |                  | Actual            | Variance with                          |
|--|------------------|------------------|-------------------|--|
|  | Original         | Final            |                   | Final Budget<br>Positive<br>(Negative) |
| <b>Revenues</b>  |                  |                  |                   |  |
| Taxes  |                  |                  |                   |  |
| Property taxes   | \$ 2,415,131     | \$ 2,415,131     | \$ 2,336,792      | \$ (78,339)                            |
| Franchise taxes  | 90,000           | 52,259           | 87,723            | 35,464                                 |
| Communications services tax                                | 665,029          | 665,029          | 726,955           | 61,926                                 |
| Licenses and permits                                       | 265,500          | 121,648          | 200,274           | 78,626                                 |
| Intergovernmental revenues                                 | 1,092,163        | 993,038          | 1,290,297         | 297,259                                |
| Charges for services                                       | 558,750          | 488,276          | 547,744           | 59,468                                 |
| Fines and forfeitures                                      | 40,000           | 65,000           | 55,012            | (9,988)                                |
| Miscellaneous  |                  |                  |                   |  |
| Special assessments/Impact fees                            | -                | -                | 8,479             | 8,479                                  |
| Interest   | 302,500          | 165,000          | 161,859           | (3,141)                                |
| Other  | 91,260           | 175,000          | 89,072            | (85,928)                               |
| Total revenues   | <u>5,520,333</u> | <u>5,140,381</u> | <u>5,504,207</u>  | <u>363,826</u>                         |
| <b>Expenditures</b>  |                  |                  |                   |  |
| Current  |                  |                  |                   |  |
| General government   | 3,198,874        | 3,001,454        | 2,823,859         | 177,595                                |
| Public safety  | -                | -                | 817               | (817)                                  |
| Physical environment                                       | 436,505          | 396,617          | 301,575           | 95,042                                 |
| Transportation   | 1,294,897        | 1,159,370        | 921,776           | 237,594                                |
| Culture/Recreation   | 1,171,213        | 1,058,890        | 850,853           | 208,037                                |
| Capital Outlay   | -                | -                | 102,330           | (102,330)                              |
| Total expenditures   | <u>6,101,489</u> | <u>5,616,331</u> | <u>5,001,210</u>  | <u>615,121</u>                         |
| Excess deficiency of revenues<br>over (under) expenditures | <u>(581,156)</u> | <u>(475,950)</u> | <u>502,997</u>    | <u>978,947</u>                         |
| <b>Other financing sources (uses)</b>                      |                  |                  |                   |  |
| Operating transfers out                                    | (225,000)        | -                | (198,233)         | (198,233)                              |
| Operating transfers in                                     | 806,156          | 475,950          | -                 | (475,950)                              |
| Total other financing uses                                 | <u>581,156</u>   | <u>475,950</u>   | <u>(198,233)</u>  | <u>(674,183)</u>                       |
| Net change in fund balances                                | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 304,764</u> | <u>\$ 304,764</u>                      |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – GAS TAX FUND**  
**YEAR ENDED SEPTEMBER 30, 2009**

|  | Budgets               |                       | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------------|-----------------------|---------------------|---|
|  | Original              | Final                 |                     |   |
| Revenues   |                       |                       |                     |   |
| Taxes  |                       |                       |                     |   |
| Gas taxes  | \$ 484,295            | \$ 484,295            | \$ 1,993,951        | \$ 1,509,656  |
| Intergovernmental  | 8,000                 | 8,000                 | 39,105              | 31,105  |
| Miscellaneous  |                       |                       |                     |   |
| Interest   | 60,000                | 60,000                | 119,099             | 59,099  |
| Total revenues   | <u>552,295</u>        | <u>552,295</u>        | <u>2,152,155</u>    | <u>1,599,860</u>  |
| Expenditures   |                       |                       |                     |   |
| Current  |                       |                       |                     |   |
| Transportation   | 2,337,050             | 2,337,050             | 371,141             | 1,965,909   |
| Capital Outlay   | -                     | -                     | 128,540             | (128,540)   |
| Total expenditures   | <u>2,337,050</u>      | <u>2,337,050</u>      | <u>499,681</u>      | <u>1,837,369</u>  |
| Excess deficiency of revenues<br>over (under) expenditures | (1,784,755)           | (1,784,755)           | 1,652,474           | 3,437,229   |
| Other financing uses                                       |                       |                       |                     |   |
| Operating transfers out                                    | (337,335)             | (337,335)             | (455,670)           | (118,335)   |
| Net change in fund balances                                | <u>\$ (2,122,090)</u> | <u>\$ (2,122,090)</u> | <u>\$ 1,196,804</u> | <u>\$ 3,318,894</u>                                     |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – BEACH RENOURISHMENT FUND**  
**YEAR ENDED SEPTEMBER 30, 2009**

|                                      | Budgets             |                     | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|---------------------|---------------------|------------------|---|
|                                      | Original            | Final               |                  |   |
| Revenues                             |                     |                     |                  |   |
| Miscellaneous                        |                     |                     |                  |   |
| Interest                             | \$ 41,250           | \$ 41,250           | \$ 95,726        | \$ 54,476   |
| Total revenues                       | <u>41,250</u>       | <u>41,250</u>       | <u>95,726</u>    | <u>54,476</u>   |
| Expenditures                         |                     |                     |                  |   |
| Current                              |                     |                     |                  |   |
| Culture/Recreation                   | 1,000,000           | 1,000,000           | 1,074            | 998,926   |
| Total expenditures                   | <u>1,000,000</u>    | <u>1,000,000</u>    | <u>1,074</u>     | <u>998,926</u>  |
| Excess revenues over<br>expenditures | <u>\$ (958,750)</u> | <u>\$ (958,750)</u> | <u>\$ 94,652</u> | <u>\$ 1,053,402</u>                                     |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – LAGUNA SHORES FUND**  
**SEPTEMBER 30, 2009**

|  | Budgets    |            | Actual      | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------|------------|-------------|---|
|  | Original   | Final      |             |   |
| Revenues                                     |            |            |             |   |
| Miscellaneous                                |            |            |             |   |
| Special assessments/impact fees              | \$ 190,000 | \$ 190,000 | \$ 143,228  | \$ 46,772   |
| Interest                                     | -          | -          | 740         | (740)   |
| Total revenues                               | 190,000    | 190,000    | 143,968     | 46,032  |
| Expenditures                                 |            |            |             |   |
| Current                                      |            |            |             |   |
| Transportation                               | 475,000    | 475,000    | 274,537     | 200,463   |
| Total expenditures                           | 475,000    | 475,000    | 274,537     | 200,463   |
| Deficiency of revenues<br>under expenditures | (285,000)  | (285,000)  | (130,569)   | (154,431)   |
| Other financing sources                      |            |            |             |   |
| Operating transfers in                       | 285,000    | 285,000    | 73,412      | 211,588   |
| Net change in fund balances                  | \$ -       | \$ -       | \$ (57,157) | \$ 57,157   |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF NET ASSETS – PROPRIETARY FUND  
SEPTEMBER 30, 2009**

**ASSETS**

**Current assets**

|                          |                  |
|--------------------------|------------------|
| Cash                     | \$ 3,038,113     |
| Accounts receivable, net | <u>442,883</u>   |
| Total current assets     | <u>3,480,996</u> |

**Noncurrent assets**

|                                 |                  |
|---------------------------------|------------------|
| Restricted cash                 | 217,096          |
| Unamortized debt issuance costs | 3,472            |
| Capital assets, net             | <u>2,296,077</u> |
| Total noncurrent assets         | <u>2,516,645</u> |

|              |                  |
|--------------|------------------|
| Total assets | <u>5,997,641</u> |
|--------------|------------------|

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

**Current liabilities**

|                                   |                |
|-----------------------------------|----------------|
| Payable from current assets:      |                |
| Current portion of note payable   | 2,520,000      |
| Accounts payable                  | 274,985        |
| Customer refunds payable          | 7,574          |
| Due to Lee County, Florida        | 797,675        |
| Due to other funds                | <u>229,028</u> |
| Total payable from current assets | 3,829,262      |

|                                 |                  |
|---------------------------------|------------------|
| Payable from restricted assets: |                  |
| Customer deposits               | <u>217,096</u>   |
| Total current liabilities       | <u>4,046,358</u> |

**NET ASSETS**

|   |                            |
|---|----------------------------|
| Invested in capital assets, net of related debt | (223,923)                  |
| Unrestricted                                    | <u>2,175,206</u>           |
| Total net assets                                | <u><u>\$ 1,951,283</u></u> |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2009**

|  |                            |
|--|----------------------------|
| <b>OPERATING REVENUE</b>                   |                            |
| Water utility revenue                      | <u>\$ 2,575,738</u>        |
| <b>OPERATING EXPENSES</b>                  |                            |
| Bulk water                                 | 1,328,551                  |
| Depreciation expense                       | 224,659                    |
| Management fees                            | 379,285                    |
| Repairs and maintenance                    | 239,876                    |
| Insurance                                  | 75,878                     |
| Administrative expense                     | 45,674                     |
| Power                                      | 36,040                     |
| Professional services                      | 38,456                     |
| Miscellaneous expenses                     | 1,386                      |
| Office expenses                            | 35,996                     |
| Total operating expenses                   | <u>2,405,801</u>           |
| Operating income                           | <u>169,937</u>             |
| <b>NON-OPERATING REVENUE (EXPENSE)</b>     |                            |
| Interest income                            | 12,341                     |
| Interest expense                           | (124,938)                  |
| Total non-operating expenses               | <u>(112,597)</u>           |
| Income before capital contributions        | 57,340                     |
| Capital contributions - connection fees    | <u>13,093</u>              |
| Change in net assets                       | 70,433                     |
| <b>TOTAL NET ASSETS, beginning of year</b> | <u>1,880,850</u>           |
| <b>TOTAL NET ASSETS, end of year</b>       | <u><u>\$ 1,951,283</u></u> |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                 |
|---|-----------------|
| Cash received from customers              | \$ 2,551,895    |
| Cash paid to suppliers and others         | (1,630,523)     |
| Cash paid to employees                    | <u>(33,783)</u> |
| Net cash provided by operating activities | <u>887,589</u>  |

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

|   |                  |
|---|------------------|
| Principal paid on note                                    | (180,000)        |
| Interest paid on note                                     | (124,938)        |
| Capital contributions                                     | 13,093           |
| Acquisition of capital assets                             | <u>(70,405)</u>  |
| Net cash used in capital and related financing activities | <u>(362,250)</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                   |               |
|-------------------|---------------|
| Interest received | <u>12,341</u> |
|-------------------|---------------|

|                    |         |
|--------------------|---------|
| Net change in cash | 537,680 |
|--------------------|---------|

**CASH AND CASH EQUIVALENTS, beginning of year**

2,717,529

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

\$ 3,255,209

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

|                                 |                     |
|---------------------------------|---------------------|
| Cash and cash equivalents       | \$ 3,038,113        |
| Restricted cash                 | <u>217,096</u>      |
| Total cash and cash equivalents | <u>\$ 3,255,209</u> |

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

|   |                   |
|---|-------------------|
| Operating income  | \$ 169,937        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                   |
| Depreciation  | 224,659           |
| Net (increase) decrease in:   |                   |
| Accounts Receivables  | (26,397)          |
| Net increase (decrease) in:   |                   |
| Accounts payable  | 152,610           |
| Due to Lee County, Florida  | 227,227           |
| Due to Town of Fort Myers Beach, Florida  | 119,487           |
| Customer refunds payable  | (1,613)           |
| Customer deposits   | <u>21,679</u>     |
| Net cash provided by operating activities   | <u>\$ 887,589</u> |

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

**Reporting Entity**

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

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

**Component Units**

**Blended Component Units**

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

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

**Summary of Significant Accounting Policies**

(a)    Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

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

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

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

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

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

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

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

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

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

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

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

*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 *Laguna Shores Fund* is used to account for funds and other resources dedicated to dredging the interior canal system in the Laguna Shores subdivision.

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

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

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

- (c)    Budgets and budgetary accounting

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

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

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

*Cash and Investments*

Cash consists of amounts in demand deposits and certificates of deposit. Investments consist of amounts on deposit with the Florida State Board of Administration's Local Government Surplus Trust Fund and with the Florida Municipal Investment Trust.

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

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

*Cash and Investments (Continued)*

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

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

*Accounts Receivable*

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

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

*Due From/Due To*

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

*Debt issuance costs*

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

*Capital Assets*

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

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

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

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

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

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

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

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

*Deferred Revenue*

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

*Compensated absences*

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

*Long-term obligations*

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

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

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

*Estimates*

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

**NOTE 2 PROPERTY TAXES**

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

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

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

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

**Deficit Fund Balances**

*Laguna Shores Fund* – The current accumulated fund deficit of \$217,380 is a result of assessments that were levied and not collected in the current year. This fund deficit balance is expected to be recovered in subsequent years when the assessments are paid.

*Palmetto/Easy Street* – The current accumulated fund deficit of \$10,647 is a result of assessments and other billings not being sufficient to cover expenditures in prior years. The Town expects the deficit to be recovered in subsequent years when the assessments are paid.

*CRA* – The current accumulated fund deficit of \$118,054 is a result of assessments and other billings not being sufficient to cover fund expenditures. This fund deficit balance will be absorbed by the General Fund in future periods.

*Capital Projects Fund* – The capital projects fund is maintained by transfers from the general fund. The current accumulated fund deficit of \$270,619 is a result of current expenditures in excess of transfers into the fund in the current year. The Town expects the deficit to be recovered in subsequent years from inter-fund transfers.

**NOTE 4 CASH AND INVESTMENTS**

**Cash**

***Governmental Activities***

**Deposits**

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

**Investments**

As of September 30, 2009, the Town had the following investments:

| <u>Investment Type</u>                    | <u>Percent of<br/>Portfolio</u> | <u>Fair Value</u>   |
|---|---------------------------------|---------------------|
| Florida Municipal Investment Trust (FMIT) | 92.56%                          | \$ 4,522,630        |
| SBA Florida PRIME                         | 7.29%                           | 356,368             |
| SBA Fund B                                | 0.15%                           | 7,311               |
|   |                                 | <u>\$ 4,886,309</u> |

The Florida State Board of Administration's (SBA) Florida PRIME formerly known as the Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP) meets the criteria of a Rule 2a-7 like pool and the investments are valued using the account balance which is stated at amortized cost. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2009 was 33 days.

The SBA Fund B is accounted for as a fluctuating net asset value (NAV) pool. The fair value factor for Fund B for September 30, 2009 was .54915069. The weighted average life (WAL) of Fund B at September 30, 2009 was 6.69 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. Fund B has not participated in a securities lending program in the fiscal year ending September 30, 2009.

The Local Government Surplus Funds Trust Fund Investment Pools are administered by the State Board of Administration under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

The FMIT is an external investment pool. The Town's investment in the FMIT is not evidenced by securities that exist in physical or book form and, therefore, disclosures for concentration of credit risk and custodial credit risk are not applicable. The Town's investment at FMIT is in the Intermediate High Quality Bond Fund. This fund was rated AAA/V3 by Fitch Ratings as of September 30, 2009. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The weighted average days to maturity (WAM) of the FMIT Intermediate High Quality Bond Fund at September 30, 2009 was 3.83 years.

***Business-type Activities***

At September 30, 2009, Public Works Services' deposits were insured or collateralized pursuant to Florida Statute Chapter 280.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**NOTE 5 ACCOUNTS RECEIVABLE**

At September 30, 2009, accounts receivable consisted of the following:

|  | Gross accounts<br>receivable | Less allowance<br>for doubtful<br>accounts | Accounts<br>receivable, net |
|--|------------------------------|--|-----------------------------|
| <b><u>Government Activities</u></b>    |                              |  |                             |
| Accounts receivable                    | \$ 1,440                     | \$ -                                       | \$ 1,440                    |
| <b><u>Business-type Activities</u></b> |                              |  |                             |
| Water                                  | 200,330                      | 11,199                                     | 189,131                     |
| Sewer                                  | 266,553                      | 12,801                                     | 253,752                     |
| Total                                  | \$ 468,323                   | \$ 24,000                                  | \$ 444,323                  |

**NOTE 6 RESTRICTED ASSETS**

Restricted assets represent funds restricted for the following purposes at September 30, 2009:

|  |            |
|--|------------|
| <b><u>Government Activities</u></b>    |            |
| Cash restricted for recreation center  | \$ 400,000 |
| <b><u>Business-type Activities</u></b> |            |
| Customer deposits                      | 217,096    |
|  | \$ 617,096 |

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

Interfund receivable and payable balances at September 30, 2009, consisted of the following:

|                           | Purpose                   | Amount     |
|---------------------------|---------------------------|------------|
| Due to: General Fund      |                           |            |
| Laguna Shores             | Operations                | \$ 201,110 |
| Beach Renourishment       | Operations                | 13,385     |
| Water Utility             | Operations                | 229,028    |
|                           | Total due to General Fund | 443,523    |
| Due to: Gas Tax Fund      |                           |            |
| General Fund              | Operations                | 9,185      |
| CRA Fund                  | Operations                | 256,641    |
| Palmetto Easy Street Fund | Operations                | 20,090     |
|                           | Total due to Gas Tax Fund | 285,916    |
| Total                     |                           | \$ 729,439 |

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

Interfund transfers at September 30, 2009, consisted of the following:

|  | <u>Purpose</u>     | <u>Amount</u>     |
|--|--------------------|-------------------|
| Transfer to Capital Projects Fund  |                    |                   |
| Gas Tax Fund   | Capital Projects   | \$ 455,670        |
| Transfer to Laguna Shores Fund   |                    |                   |
| General Fund   | Operations         | 73,412            |
| Transfer to Times Square Fund  |                    |                   |
| General Fund   | Fund closed out    | 124,821           |
|  |                    | <u>\$ 653,903</u> |
| <br><u>Internal Balances (shown as eliminating on Statement of Net Assets)</u> |                    |                   |
| Due from Water Utility   | Salaries           | \$ 89,756         |
| Due from Water Utility   | Insurance Premiums | 139,272           |
|  |                    | <u>\$ 229,028</u> |

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**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 is as follows:

| <u>Governmental activities:</u>                | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:          |                              |                  |                  |                           |
| Land   | \$ 4,235,748                 | \$ 5,721,940     | \$ -             | \$ 9,957,688              |
| Construction in progress                       | 1,596,928                    | 966,527          | -                | 2,563,455                 |
| Total capital assets not<br>being depreciated  | 5,832,676                    | 6,688,467        | -                | 12,521,143                |
| Capital assets being depreciated:              |                              |                  |                  |                           |
| Buildings and leasehold improvements           | 2,061,497                    | 685,720          | -                | 2,747,217                 |
| Improvements other than building               | 81,422                       | -                | -                | 81,422                    |
| Office furniture and equipment                 | 496,658                      | -                | -                | 496,658                   |
| Vehicles and other equipment                   | 749,712                      | 350,604          | 8,087            | 1,092,229                 |
| Infrastructure                                 | 1,186,594                    | 79,271           | -                | 1,265,865                 |
| Total capital assets<br>being depreciated      | 4,575,883                    | 1,115,595        | 8,087            | 5,683,391                 |
| Less accumulated depreciation for:             |                              |                  |                  |                           |
| Buildings and leasehold improvements           | 453,921                      | 55,238           | -                | 509,159                   |
| Improvements other than building               | 52,582                       | 6,941            | -                | 59,523                    |
| Office furniture and equipment                 | 217,695                      | 76,058           | -                | 293,753                   |
| Vehicles and other equipment                   | 425,207                      | 78,328           | 8,087            | 495,448                   |
| Infrastructure                                 | 117,566                      | 46,721           | -                | 164,287                   |
| Total accumulated<br>depreciation              | 1,266,971                    | 263,286          | 8,087            | 1,522,170                 |
| Capital assets being<br>depreciated, net       | 3,308,912                    | 852,309          | -                | 4,161,221                 |
| Governmental activities<br>capital assets, net | \$ 9,141,588                 | \$ 7,540,776     | \$ -             | \$ 16,682,364             |

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

|   |            |
|---|------------|
| <u>Governmental activities:</u>                     |            |
| General government                                  | \$ 143,709 |
| Transportation                                      | 24,028     |
| Economic environment                                | 14,354     |
| Culture and recreation                              | 81,195     |
| Total depreciation expense, governmental activities | \$ 263,286 |

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**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 8 CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ended September 30, 2009 (continued):

| <u>Business-type activities:</u>                      | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:                 |                              |                  |                  |                           |
| Land  | \$ 305,000                   | \$ -             | \$ -             | \$ 305,000                |
| Construction in progress                              | 127,000                      | 45,325           | -                | 172,325                   |
| Total capital assets not<br>being depreciated         | 432,000                      | 45,325           | -                | 477,325                   |
| Capital assets being depreciated:                     |                              |                  |                  |                           |
| Computer equipment                                    | 45,364                       | -                | -                | 45,364                    |
| South booster station                                 | 351,950                      | -                | -                | 351,950                   |
| North booster station                                 | 94,701                       | -                | -                | 94,701                    |
| Distribution lines                                    | 2,808,941                    | 114,795          | -                | 2,923,736                 |
| Generators  | 95,104                       | -                | -                | 95,104                    |
| Total capital assets<br>being depreciated             | 3,396,060                    | 114,795          | -                | 3,510,855                 |
| Less accumulated depreciation for:                    |                              |                  |                  |                           |
| Computer equipment                                    | 33,857                       | 11,341           | -                | 45,198                    |
| South booster station                                 | 96,042                       | 14,270           | -                | 110,312                   |
| North booster station                                 | 24,105                       | 4,786            | -                | 28,891                    |
| Distribution lines                                    | 1,303,990                    | 187,219          | -                | 1,491,209                 |
| Generators  | 9,450                        | 7,043            | -                | 16,493                    |
| Total accumulated<br>depreciation                     | 1,467,444                    | 224,659          | -                | 1,692,103                 |
| Total capital assets being<br>depreciated, net        | 1,928,616                    | (109,864)        | -                | 1,818,752                 |
| Total business-type activities<br>capital assets, net | \$ 2,360,616                 | \$ (64,539)      | \$ -             | \$ 2,296,077              |

**NOTE 9 LONG-TERM OBLIGATIONS**

***Governmental Activities***

**Compensated Absences**

The changes in long-term obligations during fiscal year ended September 30, 2009 are as follows:

|                         | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|-------------------------|------------------------------|------------------|--------------------|---------------------------|--|
| Compensated<br>absences | \$ 54,385                    | \$ -             | \$ 790             | \$ 53,595                 | \$ -                                       |

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

***Business-type Activities***

Note payable at September 30, 2009, consisted of the following:

Note payable to a financial institution, bearing interest at 4.47 percent, collateralized by a lien on and a pledge of the net revenues of the Town of Fort Myers Beach Public Works Services, Inc. Additionally, the Town of Fort Myers Beach, Florida has, by way of resolution, pledged of its non-Ad-Valorem revenues for payment of principal and interest on this debt in the event Public Works revenue cannot make those payments. The Note was renewed in August 2007 and due to loan covenant defaults is currently due on demand.

\$ 2,520,000

**Changes in Long - Term Obligations**

The changes in long-term obligations for the year ended September 30, 2009 were as follows:

|              | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|--------------|------------------------------|------------------|--------------------|---------------------------|--|
| Note payable | \$ 2,700,000                 | \$ -             | \$ 180,000         | \$ 2,520,000              | \$ 2,520,000                               |

**Loan Agreement**

The loan agreement contains various covenants, including such items as debt service coverage, reporting requirements, and maintenance of facilities. For the year ended September 30, 2009, the Town of Fort Myers Beach Public Works Services Inc. was in violation of the debt service coverage covenant, and the covenant requiring audited financial statements be submitted to the lender no later than 180 days subsequent to year end. Pursuant to the "Rights of Default" detailed in the debt agreement with the lender, the lender reserves the right to call principal and interest outstanding on the note as being immediately due and payable. As of the date of issuance of these financial statements, the lender had not exercised its' rights of default under the debt agreement. However, the lender has not issued a waiver of those rights in connection with these covenant violations. As a result of these covenant violations, the associated note has been presented a current liability on the Statement of Net Assets as of September 30, 2009.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**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, 2009, can be obtained from the Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

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

**NOTE 11 RETIREMENT PLAN**

The Town sponsors a defined contribution pension plan entitled the Town of Fort Myers Beach Pension Plan (the "Plan"). The Plan covers all employees and is administered by the Town. The Plan is a prototype money purchase plan sponsored by VALIC. The Plan can only be amended by VALIC. However, the Town as the Plan administrator can amend the terms within the related Adoption Agreement, including employer contribution percentages. Contributions to the Plan are based on 10% of the employee's annual compensation (15% for the Town Manager) and vest 100% to employee upon contribution to the Plan. For the year ended September 30, 2009, contributions to the Plan totaled \$141,131.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

The Town leases office facilities under non-cancelable operating leases. Total costs for such leases were \$118,724 for the year ended September 30, 2009. The future minimum lease payments for these leases are as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2010                             | 90,031        |
|                                  | \$ 90,031     |

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**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 \$31,607 in monthly compensation for its services. The monthly compensation is to be reviewed annually and adjusted as agreed upon by the Town and Woodard & Curran.

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

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

On June 30, 2008, the Company entered into a contract with Boyle Engineering Corporation to provide professional services related to improvements in the existing water distribution network along North Estero Boulevard. Boyle Engineering is providing construction bid documents consisting of design drawings and technical specifications for the water line improvements. Total amounts approved under the Town's contract with Boyle are \$178,500 of which approximately \$138,400 has been incurred as of September 30, 2009.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

On August 17, 2009, the Company entered into a contract with Southwest Utility Systems, Inc. for construction and improvements related to the existing water distribution network along North Estero Boulevard. The total value of the contract was \$3,034,000, none of which had been expended as of September 30, 2009.

**NOTE 13 ECONOMIC DEPENDENCY**

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

**NOTE 14 PRONOUNCEMENTS NOT YET ISSUED**

In July of 2004 the Government Accounting Standards Board ("GASB") issued statement number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Town is required to implement this statement for the fiscal year ending September 30, 2010. While early implementation is encouraged the Town has chosen not to implement this statement early.

This statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of other post-employment benefit (OPEB) cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding this plan.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**TOWN OF FORT MYERS BEACH, FLORIDA  
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2009**

|   | CRA               | Old San Carlos    | Beach Access     | Park Impact       | Road Impact       | Palmetto/Easy Street | Totals              |
|---|-------------------|-------------------|------------------|-------------------|-------------------|----------------------|---------------------|
| <b>ASSETS</b>                             |                   |                   |                  |                   |                   |                      |                     |
| Cash                                      | \$ 138,587        | \$ 111,921        | \$ 15,350        | \$ 411,690        | \$ 908,025        | \$ 9,443             | \$ 1,595,016        |
| Special assessments and other receivables | -                 | 27,769            | -                | -                 | -                 | 18,176               | 45,945              |
| Total assets                              | <u>\$ 138,587</u> | <u>\$ 139,690</u> | <u>\$ 15,350</u> | <u>\$ 411,690</u> | <u>\$ 908,025</u> | <u>\$ 27,619</u>     | <u>\$ 1,640,961</u> |

**LIABILITIES AND FUND BALANCES (DEFICITS)**

**LIABILITIES**

|  |                |               |              |          |          |               |                |
|--|----------------|---------------|--------------|----------|----------|---------------|----------------|
| Accounts payable and accrued liabilities | \$ -           | \$ -          | \$ 1,337     | \$ -     | \$ -     | \$ -          | \$ 1,337       |
| Due to other funds                       | 256,641        | -             | -            | -        | -        | 20,090        | 276,731        |
| Deferred revenue                         | -              | 27,769        | -            | -        | -        | 18,176        | 45,945         |
| Total liabilities                        | <u>256,641</u> | <u>27,769</u> | <u>1,337</u> | <u>-</u> | <u>-</u> | <u>38,266</u> | <u>324,013</u> |

**FUND BALANCES**

|  |                   |                   |                  |                   |                   |                  |                     |
|--|-------------------|-------------------|------------------|-------------------|-------------------|------------------|---------------------|
| Fund balances                                  |                   |                   |                  |                   |                   |                  |                     |
| Unreserved, designated for:                    |                   |                   |                  |                   |                   |                  |                     |
| Capital improvements                           | -                 | -                 | 14,013           | 411,690           | -                 | -                | 425,703             |
| Unreserved, undesignated                       | (118,054)         | 111,921           | -                | -                 | 908,025           | (10,647)         | 891,245             |
| Total fund balances (deficits)                 | <u>(118,054)</u>  | <u>111,921</u>    | <u>14,013</u>    | <u>411,690</u>    | <u>908,025</u>    | <u>(10,647)</u>  | <u>1,316,948</u>    |
| Total liabilities and fund balances (deficits) | <u>\$ 138,587</u> | <u>\$ 139,690</u> | <u>\$ 15,350</u> | <u>\$ 411,690</u> | <u>\$ 908,025</u> | <u>\$ 27,619</u> | <u>\$ 1,640,961</u> |

**TOWN OF FORT MYERS BEACH, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED SEPTEMBER 30, 2009**

|   | CRA          | Old<br>San Carlos | Beach<br>Access | Park<br>Impact | Road<br>Impact | Times<br>Square | Palmetto /<br>Easy Street | Totals       |
|---|--------------|-------------------|-----------------|----------------|----------------|-----------------|---------------------------|--------------|
| <b>REVENUES</b>   |              |                   |                 |                |                |                 |                           |              |
| Licenses and permits  | \$ 1,120     | \$ -              | \$ -            | \$ -           | \$ -           | \$ 15,819       | \$ -                      | \$ 16,939    |
| Intergovernmental   | -            | -                 | 120,395         | -              | -              | -               | -                         | 120,395      |
| Miscellaneous   | -            | -                 | -               | 2,947          | 6,179          | 26,813          | 237                       | 36,176       |
| Special assessments/Impact fees   | 500          | -                 | 72              | 1,471          | 3,235          | -               | 1,481                     | 6,759        |
| Interest  | 1,620        | -                 | 120,467         | 4,418          | 9,414          | 42,632          | 1,718                     | 180,269      |
| Total revenues  |              |                   |                 |                |                |                 |                           |              |
| <b>EXPENDITURES</b>   |              |                   |                 |                |                |                 |                           |              |
| Current   |              |                   |                 |                |                |                 |                           |              |
| General government  | 1,309        | -                 | 40,858          | 1,087          | 2,388          | 5,881           | 22                        | 51,545       |
| Physical environment  | -            | -                 | -               | -              | -              | 78,966          | -                         | 78,966       |
| Transportation  | 2,495        | -                 | -               | -              | -              | -               | -                         | 2,495        |
| Culture/Recreation  | -            | -                 | 83,408          | -              | -              | -               | -                         | 83,408       |
| Capital outlay  | -            | -                 | 39,979          | 8,064          | -              | -               | -                         | 48,043       |
| Total expenditures  | 3,804        | -                 | 164,245         | 9,151          | 2,388          | 84,847          | 22                        | 264,457      |
| Excess (deficiency) of revenues over<br>(under) expenditures                | (2,184)      | -                 | (43,778)        | (4,733)        | 7,026          | (42,215)        | 1,696                     | (84,188)     |
| <b>OTHER FINANCING SOURCES</b>  |              |                   |                 |                |                |                 |                           |              |
| Operating transfers in  | -            | -                 | -               | -              | -              | 124,821         | -                         | 124,821      |
| Total other financing (uses)  | -            | -                 | -               | -              | -              | 124,821         | -                         | 124,821      |
| Excess of revenues over (under)<br>expenditures and other financing sources | (2,184)      | -                 | (43,778)        | (4,733)        | 7,026          | 82,606          | 1,696                     | 40,633       |
| <b>FUND BALANCES (deficit), October 1, 2008</b>                             | (115,870)    | 111,921           | 57,791          | 416,423        | 900,999        | (82,606)        | (12,343)                  | 1,276,315    |
| <b>FUND BALANCES (deficit), September 30, 2009</b>                          | \$ (118,054) | \$ 111,921        | \$ 14,013       | \$ 411,690     | \$ 908,025     | \$ -            | \$ (10,647)               | \$ 1,316,948 |

## 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, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 24, 2010. 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.

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

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

### Criteria

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

### Condition

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

### Cause

The Town has a limited number of personnel.

### Effect

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

### Recommendation

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

## **IC 2009-02 Current Year Audit Adjustments**

### Criteria

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

### Condition

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

### Cause

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

### 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.

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

### 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 a 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 entity's internal control.

Our consideration of internal control 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider both findings 2009-1 and 2009-2 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of non-compliance which we are required to report under *Government Auditing Standards*:

#### **CO 2009-03 Debt Service Covenant Violation**

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

#### **CO 2009-04 Annual Physical Inventory**

The Town did not complete a physical inventory of all property as of the end of the current year. Florida Statutes Chapter 274 states that all government entities should conduct a periodic inventory of all tangible property. The Florida Administrative Code Rule 69I-73.006 further stipulates that this inventory should be conducted annually. It was noted that the Town was in the process of conducting an inventory; however, the results were not available as of the report date of the financial statements.

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

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

*Larson Allen LLP*  
**LarsonAllen LLP**

Fort Myers, Florida  
May 24, 2010

## MANAGEMENT LETTER

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

We have audited the financial statements of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the fiscal year ended September 30, 2009 and have issued our report thereon dated May 24, 2010.

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 May 24, 2010. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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

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

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

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

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

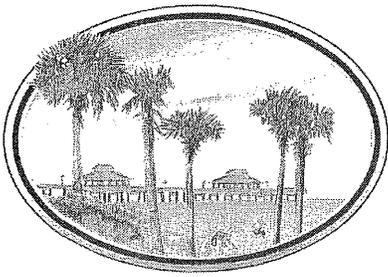
Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.

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

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

*Larson Allen LLP*  
LarsonAllen LLP

Fort Myers, Florida  
May 24, 2010



# Town of Fort Myers Beach

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Larry Kiker  
Mayor

Bob Raymond  
Vice Mayor

Tom Babcock  
Council Member

Jo List  
Council Member

Alan Mandel  
Council Member

To: Terry Stewart, Town Manager  
Martin Redovan, LarsonAllen LLP

From: Evelyn Wicks, Director of Finance

Date: May 24, 2010

Re: Management letter for year ending 9/30/09–Town of Fort Myers Beach

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## Comments

### IC 2009-01 Financial Reporting Process

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

### Management's Response

The Town has a very limited accounting staff, some items that would normally be developed by the staff are often delegated to outside firms. This situation will remain the same for FY 2010 because the Town does not have sufficient resources to hire additional accounting professionals.

### IC 2009-02 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**

Year end audit adjustments, including accruals and capital asset activity, will continue to be prepared by the auditors. In the future the finance staff will review revenues and disbursements to ensure that they are classified correctly.

### **CO 2009-03 Debt Service Covenant Violation**

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

### **Management's Response**

During 2009, the Directors of the Utility authorized a comprehensive rate study. As a result of that study, a rate increase was recommended and approved. The increase went into effect in January of 2010. The design of the rate study was intended to eliminate the covenant violation and also provide for future capital improvements to the system.

### **CO 2009-04 Annual Physical Inventory**

The Town did not complete a physical inventory of all property as of the end of the current year. Florida Statutes Chapter 274 states that all government entities should conduct a periodic inventory of all tangible property. The Florida Administrative Code Rule 69I-73.006 further stipulates that this inventory should be conducted annually. It was noted that the Town was in the process of conducting an inventory; however, the results were not available as of the report date of the financial statements.

### **Management's Response**

The physical inventory of all Town-owned assets has been completed. Each item that the Town owns has been documented, verified and photographed. The physical inventory included verification of all equipment, vehicles, tools, building, furniture and land. The project took many man hours and work in the field. In the future, each department will be provided with a list of assets to reconfirm their condition annually.