

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2016, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Myers Beach as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Gas Tax Fund, the Stormwater Fund, and the Beach Access Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America requires that the management discussion and analysis and the other postemployment benefits plan schedule of funding progress on pages 4 to 11 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fort Myers Beach's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2017, on our consideration of the Town of Fort Myers Beach'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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fort Myers Beach's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
April 28, 2017

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2016**

**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, 2016.

Since the Management's Discussion 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, 2016, the assets of the Town of Fort Myers Beach exceeded its liabilities by \$40,566,346 (net position). Of this amount, \$3,694,512 of unrestricted net position may be used to meet the Town's ongoing obligations.
- The Town's total net position increased by \$2,562,404.
- The Town of Fort Myers Beach's governmental funds reported combined ending fund balances of \$4,765,861 as of September 30, 2016. This is an increase of \$615,834 over the September 30, 2015 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 position (page 12) and the statement of activities (page 13) 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 position purpose is to be used as an indicator of the improvement of the financial position of the Town. Net position is the difference between the Town's assets and liabilities.

The statement of activities presents information showing how the Town's net position changed during the 2016 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. Ad valorem property taxes and other 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.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2016**

**Government-wide Financial Statements (Continued)**

- Business-type activities – This column includes the water utility enterprise fund. Prior to fiscal year 2012, the water utility was a blended component unit. On October 1, 2011, the water utility was converted to an enterprise fund within the Town's accounting system. This fund is used to account for the operation of the water system. The services are supported from user fees.

**Fund Financial Statements**

The Fund Financial Statements, which report by fund type, begin on page 14. 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 16 and 18 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 nonmajor funds and are combined into a single column, "Other Governmental Funds" on the Fund Financial Statements. 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 and user fee 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 Town's water utility. 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 26.

**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.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2016**

**Summary of Net Position**

The following table reflects a summary of Net Position for the fiscal years September 30, 2016 and 2015:

<b>Town of Fort Myers Beach, Florida Summary Statement of Net Position</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 5,132,563	\$ 5,073,068	\$ 2,292,446	\$ 1,757,816	\$ 7,425,009	\$ 6,830,884
Capital assets	26,994,893	26,836,208	12,857,219	9,452,319	39,852,112	36,288,527
Total assets	<u>32,127,456</u>	<u>31,909,276</u>	<u>15,149,665</u>	<u>11,210,135</u>	<u>47,277,121</u>	<u>43,119,411</u>
Current and other liabilities	326,919	881,050	1,369,094	1,986,107	1,696,013	2,867,157
Noncurrent liabilities	499,931	628,312	4,514,831	1,620,000	5,014,762	2,248,312
Total liabilities	<u>826,850</u>	<u>1,509,362</u>	<u>5,883,925</u>	<u>3,606,107</u>	<u>6,710,775</u>	<u>5,115,469</u>
Net investment in capital assets	26,934,634	26,836,208	7,973,158	7,832,319	34,907,792	34,668,527
Restricted	1,964,042	2,690,023	-	-	1,964,042	2,690,023
Unrestricted	2,401,930	873,683	1,292,582	(228,291)	3,694,512	645,392
Total net position	<u>\$ 31,300,606</u>	<u>\$ 30,399,914</u>	<u>\$ 9,265,740</u>	<u>\$ 7,604,028</u>	<u>\$ 40,566,346</u>	<u>\$ 38,003,942</u>

- For governmental activities net position, \$26,934,634, or 86%, represents the amount invested in capital assets, less the outstanding debt used to acquire those assets. The Town uses these assets to provide services to its citizens and therefore, these assets are not available for future spending. It should also be noted that other resources will be required to repay the outstanding debt on capital assets. This balance represents resources that are subject to external restriction on how they may be used.
- Governmental activities unrestricted net position increased by \$1,528,247, or 175%, over 2015. Unrestricted net position accounts for 8% of the Town's governmental activities net position. This unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.
- Governmental activities restricted net position of \$1,964,042, or 6% of the Town's governmental activities net position, represents resources restricted for specific purposes.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2016**

**Summary of Changes in Net Position**

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

Town of Fort Myers Beach, Florida Summary Statement of Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 2,749,685	\$ 1,857,018	\$ 4,415,671	\$ 4,406,750	\$ 7,165,356	\$ 6,263,768
Operating grants and contributions	1,172,525	1,646,184	-	-	1,172,525	1,646,184
Capital grants and contributions	162,807	385,847	-	-	162,807	385,847
General Revenues:						
Property taxes	2,225,160	1,941,024	-	-	2,225,160	1,941,024
Utility taxes	909,374	638,666	-	-	909,374	638,666
Gas taxes	410,511	388,564	-	-	410,511	388,564
Communications taxes	538,411	549,470	-	-	538,411	549,470
Business taxes	6,572	9,402	-	-	6,572	9,402
Franchise fees	87,898	86,548	-	-	87,898	86,548
Intergovernmental, unrestricted	754,212	732,113	-	-	754,212	732,113
Investment earnings	72,458	124,212	-	-	72,458	124,212
Miscellaneous	37,705	25,620	-	-	37,705	25,620
Total revenues	<u>9,127,318</u>	<u>8,384,668</u>	<u>4,415,671</u>	<u>4,406,750</u>	<u>13,542,989</u>	<u>12,791,418</u>
<b>Expenses:</b>						
Program expenses:						
Governmental Activities:						
General government	3,326,309	3,582,911	-	-	3,326,309	3,582,911
Physical environment	182,329	662,585	-	-	182,329	662,585
Transportation	2,159,326	1,697,322	-	-	2,159,326	1,697,322
Culture/recreation	1,723,239	1,865,915	-	-	1,723,239	1,865,915
Business-type Activities:						
Water Utility	-	-	3,589,382	3,244,657	3,589,382	3,244,657
Total expenses	<u>7,391,203</u>	<u>7,808,733</u>	<u>3,589,382</u>	<u>3,244,657</u>	<u>10,980,585</u>	<u>11,053,390</u>
Change in net position before transfers	1,736,115	575,935	826,289	1,162,093	2,562,404	1,738,028
Transfers	(835,423)	285,390	835,423	(285,390)	-	-
Change in net position	900,692	861,325	1,661,712	876,703	2,562,404	1,738,028
Net position - beginning of year	30,399,914	29,538,589	7,604,028	6,727,325	38,003,942	36,265,914
Net position - end of year	<u>\$ 31,300,606</u>	<u>\$ 30,399,914</u>	<u>\$ 9,265,740</u>	<u>\$ 7,604,028</u>	<u>\$ 40,566,346</u>	<u>\$ 38,003,942</u>

Total revenues increased by \$751,571, or 6% in comparison to the prior year. The majority of the increase is due to charges for services - mainly permit fees, parking fees, and parks and recreation fees. All other revenue sources are consistent and within expected ranges.

Total expenses decreased by \$72,805, or 1% in comparison to the prior year. The majority of the decrease is due to physical environment - maintenance expense, cultural/recreation - maintenance and labor expense, and water utility - bulk water and administrative expense.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2016**

**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.

**Town of Fort Myers Beach, Florida  
Governmental Activities**

	Total Cost of Services		Net Cost (Earnings) of Services	
	2016	2015	2016	2015
General government	\$ 3,326,309	\$ 3,582,911	\$ 2,578,892	\$ 2,867,749
Physical environment	182,329	662,585	182,329	628,251
Transportation	2,159,326	1,697,322	237,245	767,590
Culture/recreation	1,723,239	1,865,915	307,720	(343,906)
Totals	<u>\$ 7,391,203</u>	<u>\$ 7,808,733</u>	<u>\$ 3,306,186</u>	<u>\$ 3,919,684</u>

The cost of all governmental activities this fiscal year was \$7.4 million as comparable to \$7.8 million for fiscal year 2015. As show in the statement of activities (page 13), the earnings from governmental activities were \$3.3 million for 2016 compared to a net cost of \$3.9 million for 2015. Revenues contributing to earnings from governmental activities consisted of:

- \$2,749,685 in charges for services of which there was approximately \$663,000 in revenue from permits and zoning fees, approximately \$1,025,000 from parking facilities revenues, approximately \$165,000 for harborage usage fees, approximately \$668,000 of stormwater fees, and approximately \$216,000 from parks and recreation fees with the remainder from various fees for general government service.
- \$1,172,525 in operating grants and contributions. This balance is primarily comprised of operating grants from the Tourist Development Council for beach access maintenance and Mound House projects.
- \$162,807 in capital grants and contributions, which is mainly comprised of grants from Florida Division of Historical Resources for Mound House projects and Road and Park Impact fees collected internally by the building department.

**Business-type Activities**

Revenues of the Town's business-type activities totaled \$4,415,671 and \$4,406,750 for 2016 and 2015, respectively. Operating expenses totaled \$3,589,382 and \$3,244,657 for 2016 and 2015, respectively. The increase in net position was \$1,661,712 and \$876,703 for 2016 and 2015, 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.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2016**

**Governmental Funds**

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

The *General Fund* is the chief operating fund of the Town. It is used to account for all financial resources except those to be accounted for in another fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,618,950. During the current fiscal year, the fund balance of the Town's General Fund increased by \$659,357.

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 \$618,156, all of which is dedicated to road improvements and transportation related items. This fund balance decreased by \$2,020,704 in FY 2016.

The *Stormwater Fund* is used to account for funds and resources used for the Town's maintenance and improvement of the stormwater system. This fund has a negative fund balance of \$118,230 and is intended to be funded by new stormwater user charges adopted February 16, 2016.

The *CRA Fund*, a blended component unit of the Town, was used to account for redevelopment projects. At September 30, 2015 this fund had a negative fund balance of \$122,373. This deficit was funded by an inter fund transfer in 2016 as the Town Council dissolved the CRA by Town Ordinance 15-03 on June 15, 2015.

The *Capital Projects Fund* is maintained by transfers from the general fund and other special revenue funds. Capital outlay of \$465,513 was expended in the current year.

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 \$447,532 increase in budgeted revenue in the general fund between the original and final amended budget. Following are the main components of the increase:

- \$73,988 – Licenses and permits revenue was increased based on actual receipts.
- \$443,458 – Charges for services was increased based on actual receipts.
- \$38,924 – Intergovernmental was increased based upon actual receipts.
- \$86,709 – Decrease in ad valorem property taxes based upon actual receipts.

Revenue budget-to-actual in the general fund resulted in a \$31,572, or 0.5%, positive revenue variance due to increase in communication service taxes and intergovernmental revenues. The significant variance between the Original and Final budgets for charges for services relates to parking collections which is the second largest revenue item for the Town. The Town budgets conservatively on its parking revenue estimates as economic factors such as weather and water conditions govern visitor trips to the island and can have a large positive or negative impact. The 5 year average increase in parking revenue was 16.6% and the Town budgeted for FY 16-17 a 24% increase.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2016**

**BUDGETARY HIGHLIGHTS (CONTINUED)**

The original budget for general government expenditures was reduced by \$361,995 primarily to increase budgeted capital outlay of the general and beach access funds. Budget-to-actual expenditures in the general fund show a \$591,903 positive variance (actual less than final budget). This difference is primarily attributable to an unused contingency budget of \$195,555 and \$305,000 of salaries and insurance expenditures allocated to the water fund. A more detailed analysis of the General Fund budget comparison can be found in the basic financial statements section.

A more detailed analysis of the general fund budget comparison can be found on page 19.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

<b>Town of Fort Myers Beach, Florida Capital Assets</b>						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 10,536,780	\$ 10,536,780	\$ 305,000	\$ 305,000	\$ 10,841,780	\$ 10,841,780
Buildings and leasehold improvements	6,792,511	4,503,200	-	-	6,792,511	4,503,200
Improvements other than building	1,618,128	549,328	-	-	1,618,128	549,328
Office furniture and equipment	332,830	282,574	-	-	332,830	282,574
Vehicles and other equipment	703,274	625,605	57,930	31,603	761,204	657,208
Infrastructure	6,835,770	6,977,471	12,034,403	7,854,402	18,870,173	14,831,873
Construction in progress	175,600	3,361,250	459,886	1,261,314	635,486	4,622,564
Total capital assets	<u>\$ 26,994,893</u>	<u>\$ 26,836,208</u>	<u>\$ 12,857,219</u>	<u>\$ 9,452,319</u>	<u>\$ 39,852,112</u>	<u>\$ 36,288,527</u>

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

**Long-term Debt**

As of September 30, 2016 and 2015, the Town had \$4,494,606 and \$1,620,000, respectively, in long-term debt. The following table provides a breakdown:

<b>Town of Fort Myers Beach, Florida Outstanding Debt</b>						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Refunding bond payable	\$ -	\$ -	\$ 1,440,000	\$ 1,620,000	\$ 1,440,000	\$ 1,620,000
State revolving fund loan	-	-	3,054,606	-	3,054,606	-
Total debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,494,606</u>	<u>\$ 1,620,000</u>	<u>\$ 4,494,606</u>	<u>\$ 1,620,000</u>

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2016**

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

The State of Florida operates primarily using sales, gasoline, and corporate income taxes. 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 funding their governmental activities. There are a number of state-shared revenues and recurring and nonrecurring (one-time) grants from both the state and federal governments.

The following factors were considered in preparing the Town's budget for the 2016-2017 fiscal year:

- Council determined to keep the millage rate at .800 and only augment the general fund by the roll growth estimated for FY 16-17 to be \$191,069. Parking revenues were increased 24%, still using conservative estimate. Economic factors such as gulf water quality or poor weather conditions would be difficult to adjust for mid- year in order to recover a loss.
- The Town is planning significant investment in infrastructure in the water utility as well as the expansion of the stormwater utility, which will reduce the deficit in the stormwater fund, provide for dedicated operation and maintenance and future stormwater infrastructure. Pursuant to funding the infrastructure improvements, Ordinance 15-08 established the stormwater utility and Resolution 16-07 adopted on February 16, 2016, adopted the user fee to support a dedicated source of funding.
- The Town will continue to monitor state legislation and the impacts on the revenue sharing, especially the shrinking communications service tax.

**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  
2525 Estero Boulevard  
Fort Myers Beach, Florida 33931

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,269,894	\$ 109,629	\$ 1,379,523
Investments	3,254,269	-	3,254,269
Due from other governments	478,828	603,895	1,082,723
Accounts receivable, net	128,135	1,072,537	1,200,672
Prepaid expenses	161,968	173	162,141
Internal balances	(160,531)	160,531	-
Restricted cash and investments	-	345,681	345,681
Capital assets (net of accumulated depreciation):			
Land	10,536,780	305,000	10,841,780
Buildings and leasehold improvements	6,792,511	771,751	7,564,262
Improvements other than buildings	1,618,128	-	1,618,128
Office furniture and equipment	332,830	1,291	334,121
Vehicles and other equipment	703,274	66,542	769,816
Infrastructure	6,835,770	11,252,749	18,088,519
Construction in progress	175,600	459,886	635,486
Total assets	<u>32,127,456</u>	<u>15,149,665</u>	<u>47,277,121</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	326,919	422,695	749,614
Accrued interest payable	-	13,032	13,032
Customer refunds payable	-	7,816	7,816
Due to other governments	-	579,870	579,870
Liabilities payable from restricted assets:			
Customer deposits	-	345,681	345,681
Long-term liabilities:			
Due within one year	-	180,000	180,000
Due in more than one year	499,931	4,334,831	4,834,762
Total liabilities	<u>826,850</u>	<u>5,883,925</u>	<u>6,710,775</u>
<b>NET POSITION</b>			
Net Investment in capital assets	26,934,634	7,973,158	34,907,792
Restricted for:			
Parks and recreation	505,526	-	505,526
Transportation	1,458,516	-	1,458,516
Unrestricted	2,401,930	1,292,582	3,694,512
Total net position	<u>\$ 31,300,606</u>	<u>\$ 9,265,740</u>	<u>\$ 40,566,346</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2016**

<b>Functions/Programs</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 3,326,309	\$ 663,239	\$ 84,178	\$ -	\$ (2,578,892)	\$ -	\$ (2,578,892)
Physical environment	182,329	-	-	-	(182,329)	-	(182,329)
Transportation	2,159,326	1,869,515	-	52,566	(237,245)	-	(237,245)
Culture/recreation	1,723,239	216,931	1,088,347	110,241	(307,720)	-	(307,720)
Total governmental activities	7,391,203	2,749,685	1,172,525	162,807	(3,306,186)	-	(3,306,186)
Business-type activities:							
Water	3,589,382	4,415,671	-	-	-	826,289	826,289
Total primary government	<u>\$ 10,980,585</u>	<u>\$ 7,165,356</u>	<u>\$ 1,172,525</u>	<u>\$ 162,807</u>	<u>(3,306,186)</u>	<u>826,289</u>	<u>(2,479,897)</u>
General revenues:							
Property taxes, levied for general purposes					2,225,160	-	2,225,160
Utility taxes					909,374	-	909,374
Gas taxes					410,511	-	410,511
Communications taxes					538,411	-	538,411
Business taxes					6,572	-	6,572
Franchise fees					87,898	-	87,898
Intergovernmental revenues, not restricted to specific programs					754,212	-	754,212
Investment earnings					72,458	-	72,458
Miscellaneous					37,705	-	37,705
Transfers					(835,423)	835,423	-
Total general revenues					<u>4,206,878</u>	<u>835,423</u>	<u>5,042,301</u>
Change in net position					900,692	1,661,712	2,562,404
Net position - beginning of year					<u>30,399,914</u>	<u>7,604,028</u>	<u>38,003,942</u>
Net position - end of year					<u>\$ 31,300,606</u>	<u>\$ 9,265,740</u>	<u>\$ 40,566,346</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	General	Gas Tax	Stormwater	Beach Access	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents - unrestricted	\$ 801,192	\$ 217,500	\$ -	\$ -	\$ -	\$ 251,202	\$ 1,269,894
Investments	2,065,439	1,188,830	-	-	-	-	3,254,269
Taxes receivable	100,140	-	-	-	-	-	100,140
Special assessments and other receivables	27,698	297	-	-	-	-	27,995
Prepaid expenses	160,451	-	-	1,517	-	-	161,968
Due from other funds	226,052	-	638,308	-	-	708,836	1,573,196
Advances to other funds	-	14,152	-	-	-	-	14,152
Due from other governments	201,788	33,226	-	144,910	98,904	-	478,828
	<u>\$ 3,582,760</u>	<u>\$ 1,454,005</u>	<u>\$ 638,308</u>	<u>\$ 146,427</u>	<u>\$ 98,904</u>	<u>\$ 960,038</u>	<u>\$ 6,880,442</u>
Total assets							
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)</b>							
<b>LIABILITIES</b>							
Account payable and accrued liabilities	\$ 222,928	\$ 426	\$ 47,702	\$ 24,086	\$ 31,777	\$ -	\$ 326,919
Due to other funds	-	835,423	708,836	122,341	67,127	-	1,733,727
Advances from other funds	14,152	-	-	-	-	-	14,152
Total liabilities	<u>237,080</u>	<u>835,849</u>	<u>756,538</u>	<u>146,427</u>	<u>98,904</u>	<u>-</u>	<u>2,074,798</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue, special assessments	<u>39,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,783</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)  
SEPTEMBER 30, 2016**

	General	Gas Tax	Stormwater	Beach Access	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCE (DEFICIT)</b>							
Nonspendable:							
Prepaid items	\$ 160,451	\$ -	\$ -	\$ 1,517	\$ -	\$ -	\$ 161,968
Advances to other funds	-	14,152	-	-	-	-	14,152
Restricted:							
Parks and recreation	400,000	-	-	-	-	105,526	505,526
Transportation	-	604,004	-	-	-	854,512	1,458,516
Committed:							
Old San Carlos capital projects	122,718	-	-	-	-	-	122,718
Beach renourishment	100,000	-	-	-	-	-	100,000
Transportation	400,000	-	-	-	-	-	400,000
Assigned:							
Emergency	503,778	-	-	-	-	-	503,778
Unassigned	1,618,950	-	(118,230)	(1,517)	-	-	1,499,203
Total fund balance (deficit)	<u>3,305,897</u>	<u>618,156</u>	<u>(118,230)</u>	<u>-</u>	<u>-</u>	<u>960,038</u>	<u>4,765,861</u>
 Total liabilities, deferred inflows of resources, and fund balance (deficit)	 <u>\$ 3,582,760</u>	 <u>\$ 1,454,005</u>	 <u>\$ 638,308</u>	 <u>\$ 146,427</u>	 <u>\$ 98,904</u>	 <u>\$ 960,038</u>	 <u>\$ 6,880,442</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

Fund balance totals:		\$ 4,765,861
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 30,897,538	
Less: Accumulated depreciation	<u>(3,902,645)</u>	26,994,893
Certain deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		39,783
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		(172,998)
Claims and judgements payable		(266,189)
Other post-employment benefits		<u>(60,744)</u>
Net position of governmental activities		<u><u>\$ 31,300,606</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2016**

	General	Gas Tax	Stormwater	Beach Access	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes:							
Property	\$ 2,225,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,225,160
Gas	-	410,511	-	-	-	-	410,511
Franchise	794,360	-	-	-	-	-	794,360
Communications services	538,411	-	-	-	-	-	538,411
Local business	6,572	-	-	-	-	-	6,572
Licenses and permits	596,077	-	-	-	-	-	596,077
Intergovernmental revenues	837,954	53,600	-	945,733	164,088	-	2,001,375
Charges for services	1,553,753	-	673,295	-	-	-	2,227,048
Fines and forfeitures	6,209	-	-	-	-	-	6,209
Special assessments/Impact fees	-	-	-	-	-	65,337	65,337
Interest	43,234	29,224	-	-	-	-	72,458
Other	72,878	-	-	-	-	-	72,878
Total revenues	<u>6,674,608</u>	<u>493,335</u>	<u>673,295</u>	<u>945,733</u>	<u>164,088</u>	<u>65,337</u>	<u>9,016,396</u>
<b>EXPENDITURES</b>							
Current:							
General government	2,719,239	-	-	-	-	-	2,719,239
Physical environment	173,433	-	-	-	-	-	173,433
Transportation	1,357,707	228,616	229,564	-	-	1	1,815,888
Culture/Recreation	1,373,614	-	-	491,275	-	-	1,864,889
Capital Outlay:	300,774	-	77,360	148,041	465,513	-	991,688
Total expenditures	<u>5,924,767</u>	<u>228,616</u>	<u>306,924</u>	<u>639,316</u>	<u>465,513</u>	<u>1</u>	<u>7,565,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>749,841</u>	<u>264,719</u>	<u>366,371</u>	<u>306,417</u>	<u>(301,425)</u>	<u>65,336</u>	<u>1,451,259</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfer in	276,520	100,000	1,550,000	-	374,606	122,373	2,423,499
Operating transfers out	(367,004)	(2,385,423)	-	(306,417)	-	(200,080)	(3,258,924)
Total other financing sources (uses)	<u>(90,484)</u>	<u>(2,285,423)</u>	<u>1,550,000</u>	<u>(306,417)</u>	<u>374,606</u>	<u>(77,707)</u>	<u>(835,425)</u>
Net change in fund balances	659,357	(2,020,704)	1,916,371	-	73,181	(12,371)	615,834
<b>FUND BALANCES - October 1, 2015</b>	<u>2,646,540</u>	<u>2,638,860</u>	<u>(2,034,601)</u>	<u>-</u>	<u>(73,181)</u>	<u>972,409</u>	<u>4,150,027</u>
<b>FUND BALANCES - September 30, 2016</b>	<u>\$ 3,305,897</u>	<u>\$ 618,156</u>	<u>\$ (118,230)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 960,038</u>	<u>\$ 4,765,861</u>

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, 2016**

Net change in fund balances - total governmental funds \$ 615,834

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	\$ 991,688	
Depreciation	<u>(831,120)</u>	160,568

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets. (1,883)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,208)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences		23,111
Change in claims and judgements payable		115,014
Change in other post-employment benefits		<u>(9,744)</u>

Change in net position of governmental activities \$ 900,692

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2016**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 2,311,869	\$ 2,225,160	\$ 2,225,160	\$ -
Franchise taxes	782,500	794,360	794,360	-
Communications services tax	531,390	525,108	538,411	13,303
Local business	11,250	6,572	6,572	-
Licenses and permits	524,000	597,988	596,077	(1,911)
Intergovernmental revenues	780,420	819,344	837,954	18,610
Charges for services	1,108,700	1,552,158	1,553,753	1,595
Fines and forfeitures	5,000	6,209	6,209	-
Miscellaneous:				
Interest	65,375	43,259	43,234	(25)
Other	75,000	72,878	72,878	-
Total revenues	<u>6,195,504</u>	<u>6,643,036</u>	<u>6,674,608</u>	<u>31,572</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,673,037	3,311,142	2,719,239	591,903
Public safety	-	-	-	-
Physical environment	387,500	295,476	173,433	122,043
Transportation	1,246,615	1,366,845	1,357,707	9,138
Culture/Recreation	1,313,352	1,380,715	1,373,614	7,101
Capital Outlay	-	109,603	300,774	(191,171)
Total expenditures	<u>6,620,504</u>	<u>6,463,781</u>	<u>5,924,767</u>	<u>539,014</u>
Excess deficiency of revenues over (under) expenditures	<u>(425,000)</u>	<u>179,255</u>	<u>749,841</u>	<u>570,586</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	425,000	554,271	276,520	(277,751)
Operating transfers out	-	-	(367,004)	(367,004)
Total other financing sources (uses)	<u>425,000</u>	<u>554,271</u>	<u>(90,484)</u>	<u>(644,755)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 733,526</u>	<u>\$ 659,357</u>	<u>\$ (74,169)</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, 2016**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Gas taxes	\$ 388,519	\$ 410,510	\$ 410,511	\$ 1
Intergovernmental	51,511	53,600	53,600	-
Miscellaneous:				
Interest	35,000	29,224	29,224	-
Total revenues	<u>475,030</u>	<u>493,334</u>	<u>493,335</u>	<u>1</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	414,000	227,427	228,616	(1,189)
Capital Outlay	200,000	-	-	-
Total expenditures	<u>614,000</u>	<u>227,427</u>	<u>228,616</u>	<u>(1,189)</u>
Excess deficiency of revenues over (under) expenditures	<u>(138,970)</u>	<u>265,907</u>	<u>264,719</u>	<u>(1,188)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	138,970	-	100,000	100,000
Operating transfers out	-	(835,423)	(2,385,423)	(1,550,000)
Total other financing sources (uses)	<u>138,970</u>	<u>(835,423)</u>	<u>(2,285,423)</u>	<u>(1,450,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (569,516)</u>	<u>\$ (2,020,704)</u>	<u>\$ (1,451,188)</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 – STORMWATER FUND**  
**YEAR ENDED SEPTEMBER 30, 2016**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 60,000	\$ 679,893	\$ 673,295	\$ (6,598)
Total revenues	<u>60,000</u>	<u>679,893</u>	<u>673,295</u>	<u>(6,598)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	5,315,000	190,558	229,564	(39,006)
Capital Outlay	-	77,360	77,360	-
Total expenditures	<u>5,315,000</u>	<u>267,918</u>	<u>306,924</u>	<u>(39,006)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,255,000)</u>	<u>411,975</u>	<u>366,371</u>	<u>(45,604)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	5,200,000	-	-	-
Operating transfer in	55,000	-	1,550,000	1,550,000
Total other financing sources (uses)	<u>5,255,000</u>	<u>-</u>	<u>1,550,000</u>	<u>1,550,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 411,975</u>	<u>\$ 1,916,371</u>	<u>\$ 1,504,396</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 ACCESS FUND**  
**YEAR ENDED SEPTEMBER 30, 2016**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 646,632	\$ 918,484	\$ 945,733	\$ 27,249
Total revenues	<u>646,632</u>	<u>918,484</u>	<u>945,733</u>	<u>27,249</u>
<b>EXPENDITURES</b>				
Culture/Recreation	646,632	531,473	491,275	40,198
Capital Outlay	-	108,951	148,041	(39,090)
Total expenditures	<u>646,632</u>	<u>640,424</u>	<u>639,316</u>	<u>1,108</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>278,060</u>	<u>306,417</u>	<u>28,357</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	-	(279,168)	(306,417)	(27,249)
Total other financing sources (uses)	<u>-</u>	<u>(279,168)</u>	<u>(306,417)</u>	<u>(27,249)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,108)</u>	<u>\$ -</u>	<u>\$ 1,108</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
SEPTEMBER 30, 2016**

**ASSETS**

**Current assets**

Cash	\$ 109,629
Accounts receivable, net	1,072,537
Due from other funds	835,423
Due from other governments	603,895
Prepaid items	173
Total current assets	<u>2,621,657</u>

**Noncurrent assets**

Restricted cash	345,681
Capital assets, net	12,857,219
Total noncurrent assets	<u>13,202,900</u>

Total assets	<u>15,824,557</u>
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**LIABILITIES AND NET POSITION**

**LIABILITIES**

**Current liabilities**

Payable from current assets:	
Current portion of note payable	180,000
Accrued interest payable	13,032
Accounts payable and accrued liabilities	422,695
Customer refunds payable	7,816
Due to other governments	579,870
Due to other funds	674,892
Total payable from current assets	<u>1,878,305</u>

Payable from restricted assets:

Customer deposits	345,681
Total current liabilities	<u>2,223,986</u>

**Long term liabilities**

Compensated absences	18,969
Notes payable	4,314,606
Other postemployment benefits liability	1,256
Total long term liabilities	<u>4,334,831</u>

Total liabilities	<u>6,558,817</u>
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**NET POSITION**

Net Investment in capital assets	7,973,158
Unrestricted	1,292,582
Total net position	<u>\$ 9,265,740</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2016**

<b>OPERATING REVENUES</b>	
Water utility revenue	<u>\$ 4,415,671</u>
<b>OPERATING EXPENSES</b>	
Bulk water	1,589,068
Depreciation expense	483,956
Repairs and maintenance	432,953
Insurance	80,000
Salaries and benefits	429,159
Power	43,162
Professional services	57,725
Other operating supplies and expenses	404,768
Office expenses	42,394
Total operating expenses	<u>3,563,185</u>
Operating income	<u>852,486</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Interest expense	(26,197)
Total nonoperating expenses	<u>(26,197)</u>
Income before transfers	826,289
Transfers in	<u>835,423</u>
Change in net position	1,661,712
<b>TOTAL NET POSITION - beginning of year</b>	<u>7,604,028</u>
<b>TOTAL NET POSITION - end of year</b>	<u><u>\$ 9,265,740</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 3,741,602
Cash paid to suppliers and others	(3,254,250)
Cash paid to employees	(408,934)
Net cash provided by operating activities	<u>78,418</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers from other funds	200,000
Other receipts (payments)	674,892
Net cash provided by noncapital financing activities	<u>874,892</u>

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

**FINANCING ACTIVITIES**

Principal paid on note	(180,000)
Proceeds from loan	3,054,606
Interest paid on note	(27,693)
Acquisition of capital assets	(3,915,556)
Net cash used in capital and related financing activities	<u>(1,068,643)</u>

Net change in cash (115,333)

**CASH AND CASH EQUIVALENTS - beginning of year** 570,643

**CASH AND CASH EQUIVALENTS - end of year** \$ 455,310

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Cash and cash equivalents	\$ 109,629
Restricted cash	345,681
Total cash and cash equivalents	<u><u>\$ 455,310</u></u>

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

Operating income	\$ 852,486
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	483,956
Net (increase) decrease in:	
Accounts Receivables	(154,964)
Due from other governments	(537,865)
Prepaid expenses	3,397
Net increase (decrease) in:	
Accounts payable and accrued expenses	(663,232)
Due to other governments	55,655
Customer refunds payable	(1,933)
Customer deposits	20,693
Compensated absences	18,969
Other postemployment benefits liability	1,256
Net cash provided by operating activities	<u><u>\$ 78,418</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

The Town of Fort Myers Beach, Florida (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, museum and cultural, stormwater, and general and administrative services.

The basic financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

**Reporting Entity**

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 for the community development of Estero Island. The Town Council of The Town of Fort Myers Beach became the governing board of the CRA pursuant to the Town's Resolution 98-13. The CRA is presented as a blended component unit within the Town's financial statements as a major Special Revenue Fund. The CRA does not publish individual component unit financial statements. Effective June 15, 2015, the CRA was dissolved by the Town Council pursuant to the authority contained in Chapters 163, 166, and 189 of the Florida Statutes. The net deficit remaining at September 30, 2015 was eliminated by a transfer during 2016.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Summary of Significant Accounting Policies**

**Basic Financial Statements**

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements along with the notes to the financial statements. The focus of the financial statements is on either the Town as a whole or major individual funds (within the fund financial statements).

(a)        Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position 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. Ad valorem property taxes and other 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 Statement No. 34. The funds that do not meet the criteria of a major fund are considered nonmajor 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 position, 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.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

**Basic Financial Statements (Continued)**

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

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

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

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

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.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

**Basic Financial Statements (Continued)**

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

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

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

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

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

The *Stormwater Fund* is used to account for funds and resources used for the Town's stormwater system.

The *Beach Access Fund* is used to account for funds and other resources used for improvements to, and maintenance of, public access to the beach.

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

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

The *Water 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.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

**Basic Financial Statements (Continued)**

(c)    Budgets and budgetary accounting (Continued)

2. The Town Council shall publish in one or more newspapers of general circulation the time and place of public hearings. Public hearings are then conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution required by Town Charter and as required by the State of Florida.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget amounts, as shown in the fund financial statements, are as originally adopted and as finally amended by the Town Council. If, during the fiscal year, additional revenues become available for appropriation in excess of those estimated in the budget, the Town Council may make supplemental appropriations by resolution for the year up to the amount of such excess. There were no supplemental appropriations during the year.
6. The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. The Council must approve all budget amendments, which change the legally adopted total appropriation for a fund. Authority to transfer budget within a fund is delegated to the Town Council. Appropriations lapse at the fiscal year end.

(d)    Assets, Liabilities, and Net Position 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 Florida Prime pool and with the Florida Municipal Investment Trust.

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

1. The Florida State Board of Administration's SBA Florida Prime.
2. Florida Municipal Investment Trust (an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s.163.01).

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

**Basic Financial Statements (Continued)**

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

*Cash and Investments (Continued)*

3. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
4. Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Florida Statutes, Chapter 280.02.
5. Direct obligations of the United States Treasury.

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

SBA Florida Prime meets the criteria of a Rule 2a-7 like pool; therefore, the market funds maintain a constant net asset value (NAV) of \$1.00 per share.

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

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

*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. In the Water Fund, revenues and receivables are accrued for services provided to customers through year-end even if the customers have not yet been billed.

*Interfund Transactions*

During the course of operations, the Town has activity between funds for various purposes. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as either "due from/to other funds" or "advances to/from other funds," the latter being amounts due in excess of one year. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement of net position as "internal balances."

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

**Basic Financial Statements (Continued)**

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

*Prepaid Items*

Payments made to vendors for services that will benefit periods beyond September 30, 2016, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

*Restricted Assets*

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

*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 Statement No. 34, the Town has elected not to report infrastructure assets retroactively.

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at their acquisition 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 per unit 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 and rolling stock	3 - 10
Distribution lines	20 - 25
Booster stations	25
Generators	10

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

**Basic Financial Statements (Continued)**

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

*Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Compensated absences*

Full-time employees may accumulate paid time off. The Town's policy allows employees to accumulate up to 560 hours of paid time off. Upon voluntary or involuntary separation from employment, an employee will be paid for all accumulated vacation leave (up to 560 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Debt payable is reported net of the applicable debt premium or discount.

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

**Basic Financial Statements (Continued)**

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

*Fund Balance/Net Position*

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

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

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (1) not in spendable form (i.e., items that are not expected to be converted to cash such as prepaid items), or (2) legally or contractually required to be maintained intact.

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

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

**Basic Financial Statements (Continued)**

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

*Fund Balance/Net Position (Continued)*

Net Position – Net position represents the difference between assets and liabilities in reporting units using the economic resources measurement focus. Net position reported as net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, adding back unspent proceeds. Net position reported as restricted consists of amounts that have limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position not reported as "net investment in capital assets" or "restricted" is reported as unrestricted.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed.

For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

*Estimates*

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 2 PROPERTY TAXES**

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

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

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

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

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

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

**Deficit Fund Balances**

*Stormwater Fund* – The current accumulated fund deficit is \$118,230. The Town expects the deficit to be recovered in subsequent months by future revenues charged.

**NOTE 4 CASH AND INVESTMENTS**

**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, the "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.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

**Deposits (Continued)**

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

**Investments**

As of September 30, 2016, the Town had the following investments:

<u>Investment Type</u>	<u>Percent of Portfolio</u>	<u>Fair Value</u>
Florida Municipal Investment Trust (FMIT)	88.40%	\$ 2,876,687
SBA Florida PRIME	11.60%	377,582
		<u>\$ 3,254,269</u>

The Florida State Board of Administration's (SBA) Florida PRIME 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, 2016, was 50 days. The Florida PRIME is rated by Standard & Poor's. The current rating is AAAM.

The Florida Prime is administered by the SBA under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the Town's participant account balance should also be considered the fair value of its investment and exempt from the GASB Statement No. 72, *Fair Value Measurement and Application*.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Investments (Continued)**

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

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 AA Af/S3 by Fitch Ratings as of September 30, 2016. The Town’s investment policy addresses interest rate risk by requiring that the Town’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity. The weighted average days to maturity (WAM) of the FMIT Intermediate High Quality Bond Fund at September 30, 2016 was 3.20 years.

**Fair Value Measurements**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

**Fair Value Measurements (Continued)**

The Town has the following recurring fair value measurements as of September 30, 2016:

Intermediate High Quality Bond Fund of \$2.9 million valued based on market-corroborated data (Level 2).

**NOTE 5 ACCOUNTS RECEIVABLE**

At September 30, 2016, accounts receivable consisted of the following:

	Gross accounts receivable	Less allowance for doubtful accounts	Accounts receivable, net
<b><u>Government Activities</u></b>			
Taxes receivable	\$ 100,140	\$ -	\$ 100,140
Special assessments and other receivables	27,995	-	27,995
	128,135	-	128,135
<b><u>Business-type Activities</u></b>			
Water	\$ 1,123,740	\$ (51,203)	\$ 1,072,537

**NOTE 6 RESTRICTED ASSETS**

Restricted assets represent funds restricted for the following purposes at September 30, 2016:

**Business-type Activities**

Customer deposits	\$ 345,681
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**NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At September 30, 2016, the Town reported the following advances to/from other funds:

	Due from Other Funds	Due to Other Funds
Governmental Activities:		
General Fund	\$ 226,052	\$ -
Gas Tax Fund	-	835,423
Capital Projects Fund	-	67,127
Stormwater Fund	638,308	708,836
Road Impact Fee Fund	708,836	-
Beach Access Fund	-	122,341
	\$ 1,573,196	\$ 1,733,727

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

At September 30, 2016, the Town reported the following advances to/from other funds:

	<u>Advances from Other Funds</u>	<u>Advances to Other Funds</u>
Governmental Activities:		
General Fund	\$ -	\$ 14,152
Gas Tax Fund	14,152	-
	<u>\$ 14,152</u>	<u>\$ 14,152</u>

These balances are amounts that have been loaned to other funds that are not expected to be paid back within the next year.

At September 30, 2016, the Town reported the following interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 276,520	\$ 367,004
Gas Tax Fund	100,000	2,385,423
Stormwater Fund	1,550,000	-
Beach Access Fund	-	306,417
Capital Projects Fund	374,606	-
Nonmajor Funds	122,373	200,080
	<u>\$ 2,423,499</u>	<u>\$ 3,258,924</u>
Business-Type Activities:		
Water Fund	<u>\$ 835,423</u>	<u>\$ -</u>

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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016 is summarized as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 10,536,780	\$ -	\$ -	\$ 10,536,780
Construction in progress	3,361,250	542,872	(3,728,522)	175,600
Total capital assets not being depreciated	13,898,030	542,872	(3,728,522)	10,712,380
Capital assets being depreciated:				
Buildings and leasehold improvements	5,343,284	2,519,547	-	7,862,831
Improvements other than building	667,014	1,123,917	-	1,790,931
Office furniture and equipment	831,591	160,348	(141,647)	850,292
Vehicles and other equipment	1,534,125	298,099	(138,370)	1,693,854
Infrastructure	7,877,823	109,427	-	7,987,250
Total capital assets being depreciated	16,253,837	4,211,338	(280,017)	20,185,158
Less accumulated depreciation for:				
Buildings and leasehold improvements	840,084	230,236	-	1,070,320
Improvements other than building	117,686	55,117	-	172,803
Office furniture and equipment	549,017	108,970	(140,525)	517,462
Vehicles and other equipment	908,520	185,669	(103,609)	990,580
Infrastructure	900,352	251,128	-	1,151,480
Total accumulated depreciation	3,315,659	831,120	(244,134)	3,902,645
Capital assets being depreciated, net	12,938,178	3,380,218	(35,883)	16,282,513
Governmental activities capital assets, net	<u>\$ 26,836,208</u>	<u>\$ 3,923,090</u>	<u>\$ (3,764,405)</u>	<u>\$ 26,994,893</u>

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 CAPITAL ASSETS (CONTINUED)**

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 305,000	\$ -	\$ -	\$ 305,000
Construction in progress	1,261,314	3,660,219	(4,461,647)	459,886
Total capital assets not being depreciated	1,566,314	3,660,219	(4,461,647)	764,886
Capital assets being depreciated:				
Computer equipment	61,116	1,859	-	62,975
South booster station	387,553	29,031	-	416,584
North booster station	721,156	-	-	721,156
North Estero	1,304,112	-	-	1,304,112
Distribution lines	8,026,226	4,598,186	(125,081)	12,499,331
Seawall	162,108	-	-	162,108
Vehicles	19,609	49,648	-	69,257
Generators	95,104	-	-	95,104
Equipment	-	11,560	-	11,560
Total capital assets being depreciated	10,776,984	4,690,284	(125,081)	15,342,187
Less accumulated depreciation for:				
Computer equipment	61,116	568	-	61,684
South booster station	213,225	22,389	-	235,614
North booster station	98,956	31,419	-	130,375
North Estero	188,369	43,471	-	231,840
Distribution lines	2,225,489	354,437	(125,081)	2,454,845
Seawall	20,714	5,403	-	26,117
Vehicles	4,249	13,851	-	18,100
Generators	78,861	9,470	-	88,331
Equipment	-	2,948	-	2,948
Total accumulated depreciation	2,890,979	483,956	(125,081)	3,249,854
Total capital assets being depreciated, net	7,886,005	4,206,328	-	12,092,333
Total business-type activities capital assets, net	<u>\$ 9,452,319</u>	<u>\$ 7,866,547</u>	<u>\$ (4,461,647)</u>	<u>\$ 12,857,219</u>

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

<u>Governmental activities:</u>	
General government	\$ 537,597
Transportation	105,931
Economic environment	-
Culture and recreation	187,592
Total depreciation expense, governmental activities	<u>\$ 831,120</u>
<u>Business-type activities:</u>	
Water	<u>\$ 483,956</u>

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 9 LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended September 30, 2016 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 196,109	\$ 199,162	\$ (222,273)	\$ 172,998	\$ -
Claims and judgements	381,203	11,486	(126,500)	266,189	-
Other post-employment benefits	51,000	9,744	-	60,744	-
	<u>\$ 628,312</u>	<u>\$ 220,392</u>	<u>\$ (348,773)</u>	<u>\$ 499,931</u>	<u>\$ -</u>
<b>Business-type Activities</b>					
Compensated absences	\$ -	\$ 38,617	\$ (19,648)	\$ 18,969	\$ -
Note payable	1,620,000	-	(180,000)	1,440,000	180,000
State Revolving Fund Loan	-	3,054,606	-	3,054,606	-
Other post-employment benefits	-	1,256	-	1,256	-
	<u>\$ 1,620,000</u>	<u>\$ 3,094,479</u>	<u>\$ (199,648)</u>	<u>\$ 4,514,831</u>	<u>\$ 180,000</u>

**Governmental Activities**

For the governmental activities, compensated absences, claims and judgements, and other post-employment benefits are generally liquidated by the General Fund.

Claims and Judgements. In 2015, Florida Power and Light (FPL) determined there was an overpayment in municipal utility taxes paid to the Town due to FPL's billing errors to Town citizens. In order to recover the overpayment, FPL intends to withhold a portion of the overpayment each month until fully recovered. As of September 30, 2016, \$126,500 has been recovered leaving a balance of \$266,189 yet to be recovered.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

**Business-type Activities**

The long-term debt at September 30, 2016, is summarized as follows:

	Balance
\$1,980,000 Utility Revenue Refunding Bonds, Series 2013 - issued for the principal purpose of paying off the Town's Public Utility Revenue Note, Series 2010 which was issued to refinance monies expended to acquire the water system of the Town and pay certain capital costs for additions and/or improvements to the water system. The bonds bear interest at 1.81 %, and are payable from and secured by a lien upon and pledge of the net revenues of the utility. Additionally, payment of the bonds is secured by a covenant to budget and appropriate non-ad valorem revenues for payment of principal and interest in the event the utility's net revenues are insufficient to make those payments. Annual principal payments of \$180,000 plus interest are due on October 1 through final maturity on October 1, 2023.	\$1,440,000
\$5,493,280 State Revolving Fund Loan - issued for the purpose of funding the water main improvement projects. The loan bears interest at .92%, and is collateralized by a subordinated pledge of the net revenues of the utility. Principal and interest is payable in 40 semiannual payments commencing September 15, 2017. The semiannual payment will be determined upon the last draw at the completion of the project.	3,054,606
Total bonds and loan payable	\$4,494,606

**Annual Maturities of Long-Term Obligations**

The annual debt service requirements to pay the bonds and loan payable at September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 237,241	\$ 38,294	\$ 275,535
2018	321,011	37,026	358,037
2019	322,311	34,097	356,408
2020	323,624	31,156	354,780
2021	324,948	28,202	353,150
Thereafter	2,965,471	187,497	3,152,968
Total	\$ 4,494,606	\$ 356,272	\$ 4,850,878

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Loan Agreements**

The loan agreements contains various covenants, including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with the covenants of the loan agreement for the year ended September 30, 2016.

**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 nonassessable. 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, 2016, 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.

The Town carries commercial coverage for all other risks of loss such as for mooring field operations and flood insurance for Town owned buildings. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

**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 (Town Manager rate is negotiated and was 15% for the year ended September 30, 2016) and vest 100% to employee upon contribution to the Plan. For the year ended September 30, 2016, contributions to the Plan totaled \$237,099.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 12 OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description and Funding Policy**

The post-employment healthcare benefits plan is a single-employer defined benefit plan administered by the Town. Pursuant to the provisions of Section 112.0801, Florida Statutes former employees and eligible dependents who retire from the Town may continue to participate in the Town's group health insurance plan. The Town subsidizes the premium rates paid by retirees by allowing them to participate in the plan at a reduced or blended group (implicitly subsidized) premium rate. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The post-employment healthcare benefits plan does not issue a stand-alone financial report.

As of September 30, 2016, there were no retirees and eligible dependents receiving post-employment healthcare benefits.

Contribution requirements for the post-employment healthcare benefits of the Town are established and may be amended by Town Council. The Town has not advance funded or established a funding methodology for the annual other post-employment benefit (OPEB) costs or the net OPEB obligation. Currently, retirees pay 100% of the cost of the healthcare insurance premiums. The Town's actuarially required contributions are based on a projected pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The following table shows the Town's annual OPEB cost, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Net OPEB Obligation	
Annual required contribution	\$ 13,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	(4,000)
Annual OPEB cost	11,000
Contributions made:	
Contribution to Plan	-
Implicit subsidy benefits	-
Direct subsidy benefits	-
Change in net OPEB obligation	11,000
Net OPEB obligation - beginning of year	51,000
Net OPEB obligation - end of year	\$ 62,000

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2016 was as follows:

Schedule of Employer Contributions			
Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 11,000	0.00%	\$ 62,000
2015	\$ 11,000	0.00%	\$ 51,000
2014	\$ 20,000	0.00%	\$ 40,000

**Funded Status and Funding Progress**

As of the most recent actuarial valuation date, October 1, 2015, the funded status of the Plan was as follows:

Funded Status of the Plan	
Actuarial valuation date	10/01/15
Actuarial accrued liability (AAL)	\$ 29,000
Plan assets at fair value	-
Funded ratio	0.00%
Covered payroll	\$ 1,986,000
UAAL as a percentage of covered payroll	1.46%

The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

**Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Methods and Assumptions (Continued)**

The actuarial methods and assumptions used were as follows:

Valuation date	October 1, 2015
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; level-dollar payment
investment return	4% (includes inflation at 2.75% per annum)
Healthcare cost trend rate(s)	
Selected rates	8% for 2015/2016 graded to 5.5% for 2020/2021
Ultimate rate	5% per annum

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

The Town leases a sweeper under a noncancelable operating lease. Total cost for the lease was \$40,911 for the year ended September 30, 2016. The future minimum lease payments for the lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 81,821
2018	81,821
2019	20,455
Total	<u>\$ 184,097</u>

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

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

The Town is a defendant in various civil lawsuits. The Town is not in a position at this time to predict the outcome of the lawsuits or the exact amount of costs and/or potential recovery. The Town plans to contest these matters unless settled. The Town believes the outcome of these lawsuits will not have a material effect on the financial statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

A Plaintiff has asserted claims against the Town seeking various forms of relief associated with an alleged taking of seven acres of his private property in the Town's Seagrape Subdivision. According to the Complaint, the Town imposed various land use restrictions which eliminated or substantially limited the Plaintiff's use of 64 lots that would otherwise have been available for residential development. Various use restrictions pre-date the Plaintiff's acquisition of the property in 2002, and the dispute has been the subject of prior administrative proceedings. The Plaintiff now asserts claims for a complete inverse condemnation (Count I), partial inverse condemnation (Count II), violation of the Bert Harris Act, codified under section 70.001, Florida Statutes (Count III), physical appropriation (Count IV), declaratory relief (Count V), and trespass (Count VI). The Plaintiff asserts three distinct theories of damages, depending upon the number of lots that, theoretically, could be developed if the restrictions were removed: (1) 19 lots — \$3,735,000; 40 lots — \$7,184,000; and 64 lots — \$11,209,000. The Plaintiff has also asserted claims for attorney's fees and costs.

The lawsuit was served upon the Town on January 30, 2017, and the Town filed a motion to dismiss each claim on March 31, 2017. The Town intends to defend vigorously based upon various land use principles.

On November 12, 2013, the Town renewed an agreement for three years, with two one-year renewal options, with Estero Bay Hotel Company, d/b/a Matanzas Inn, to provide services for the operation and management of the Town's Municipal Anchorage. Pursuant to the agreement the Town is to make payments by the 15th of each month of an amount equal to 65% of the previous month's net revenue. Amounts paid pursuant to this agreement for fiscal year ended September 30, 2016 were \$102,212.

In January 2012 Tetra Tech, Inc. was awarded contracts which primarily consist of Phase 1 Estero Blvd Water Main Improvements, geotechnical, subsurface utility exploration, environmental review and final design and permitting for the project. Supplemental Task authorizations have been issued to prepare the Town's Water Facility Plan to meet the requirements of the State Revolving Fund (SRF) loan funding for drinking water systems. In September 2013 a contract was awarded to Mitchell & Stark Construction Co., Inc. for the Water Main Improvement Project. Open contracts with these vendors are as follows:

<u>Contract Number</u>	<u>Contract Description</u>	<u>Contract Amount</u>	<u>Amount Paid Through September 30, 2016</u>
<b>Tetra Tech</b>			
STA 13	Phase 2 Water and Stormwater	\$ 546,501	\$ 203,005
STA15	Phase 2-4 Water	1,960,476	253,705
STA19	Phase 2 Outfalls	465,237	31,914
STA20	Remaining side Streets Water	878,735	-
STA21	Remaining Side Streets Stormwater	393,578	-
<b>Mitchell &amp; Stark</b>			
STA 6	Section I Estero Blvd	\$ 4,496,592	\$ 4,089,724
STA 7	Section II Estero Blvd	5,893,756	-

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 14 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, 2014, Lee County raised its rate from \$3.20 to \$3.84 per 1,000 gallons. The Town conducted a rate study which recommended adjustments to the Town's rates to cover anticipated costs of the reserve and debt payment for the water relocation project. As a result, the Town revised its base rate effective August 15, 2016, to pass this increase on to its customers.

**NOTE 15 SUBSEQUENT EVENTS**

The Town presented a charter amendment reinstating revenue sharing which would allow the Town to meet the annual state revenue sharing criteria by including the ad valorem level of all independent special districts operating within the Town boundaries as part of the Town's calculation necessary to meet the millage equivalency threshold and receive state funds. The referendum was approved on the March 7, 2017 ballot.

The Town has executed Amendment #1 to the contract with the Florida Department of Environmental Protection, DW360800 Drinking Water State Revolving Fund Loan Agreement. This amendment provides additional financing of \$5,793,280 at an interest rate of 1.18%.

The Town extended its contract with Estero Bay Hotel Company beginning December 1, 2016, for a three-year term, with two additional one-year options.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**TOWN OF FORT MYERS BEACH, FLORIDA  
OTHER POSTEMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2015	\$ -	\$ 29,000	\$ 29,000	0.00 %	\$ 1,986,000	1.46 %
1/1/2014	\$ -	\$ 52,000	\$ 52,000	0.00 %	\$ 1,620,000	3.21 %

**SUPPLEMENTAL FINANCIAL INFORMATION**

**TOWN OF FORT MYERS BEACH, FLORIDA  
 COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2016**

	CRA	Road Impact Fee	Park Impact Fee	Totals
<b>ASSETS</b>				
Cash	\$ -	\$ 145,676	\$ 105,526	\$ 251,202
Due from other funds	-	708,836	-	708,836
Total assets	<u>\$ -</u>	<u>\$ 854,512</u>	<u>\$ 105,526</u>	<u>\$ 960,038</u>
<b>FUND BALANCES</b>				
Restricted:				
Parks and recreation	\$ -	\$ -	\$ 105,526	\$ 105,526
Transportation	-	854,512	-	854,512
Total fund balances	<u>-</u>	<u>854,512</u>	<u>105,526</u>	<u>960,038</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 854,512</u>	<u>\$ 105,526</u>	<u>\$ 960,038</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, 2016**

	CRA	Road Impact Fee	Park Impact Fee	Totals
<b>REVENUES</b>				
Miscellaneous:				
Special assessments/Impact fees	\$ -	\$ 52,566	\$ 12,771	\$ 65,337
Total revenues	<u>-</u>	<u>52,566</u>	<u>12,771</u>	<u>65,337</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	-	1	-	1
Total expenditures	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>52,565</u>	<u>12,771</u>	<u>65,336</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	122,373	-	-	122,373
Operating transfers (out)	-	-	(200,080)	(200,080)
Total other financing sources (uses)	<u>122,373</u>	<u>-</u>	<u>(200,080)</u>	<u>(77,707)</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	122,373	52,565	(187,309)	(12,371)
<b>FUND BALANCES - October 1, 2015</b>	<u>(122,373)</u>	<u>801,947</u>	<u>292,835</u>	<u>972,409</u>
<b>FUND BALANCES - September 30, 2016</b>	<u>\$ -</u>	<u>\$ 854,512</u>	<u>\$ 105,526</u>	<u>\$ 960,038</u>



**INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Myers Beach, Florida (Town) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
April 28, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GRANT GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited Town of Fort Myers Beach's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended September 30, 2016. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
April 28, 2017

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2016**

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Federal or Pass-Through Contract Number	Passed Through to Subrecipients	Expenditures
<b>Department of Housing and Urban Development</b>				
<b>Passed through the Lee County, Florida</b>				
Community Development Block Grants—Entitlement Grants	14.218	7399	\$ -	\$ 17,391
Total Department of Housing and Urban Development			-	17,391
<b>Department of Interior</b>				
<b>Passed through the Florida Department of Environmental Protection</b>				
Clean Vessel Act	15.616	MV191 CVA15-752	-	85,230
Total Department of Interior			-	85,230
<b>Environmental Protection Agency</b>				
<b>Passed through the Florida Department of Environmental Protection</b>				
Drinking Water State Revolving Fund	66.468	DW360800	-	2,946,895
Total Environmental Protection Agency Programs			-	2,946,895
Total Expenditures of Federal Awards			\$ -	\$ 3,049,516

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Town of Fort Myers Beach, Florida (Town) under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 INDIRECT COST RATE**

The Town has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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

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**Financial Statement Section**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Significant deficiency(ies) identified \_\_\_\_\_ yes  none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes  no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Significant deficiency(ies) identified \_\_\_\_\_ yes  none reported
2. Type of auditors' report issued on compliance for major programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes  no

**Identification of Major Federal Programs:**

CFDA Number(s)	Name of Federal Program or Cluster
66.468	Drinking Water State Revolving Fund

- Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  no

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**Section II - Financial Statement Findings**

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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**Section IV - Prior Year Findings**

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There were no findings in the prior year that were required to be reported.

## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of the Town of Fort Myers Beach, Florida (Town), as of and for the fiscal year ended September 30, 2016 and have issued our report thereon dated April 28, 2017.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

### Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report(s) on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 28, 2017, should be considered in conjunction with this management letter.

### Prior Audit Findings

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. There were no findings and recommendations made in the preceding annual financial audit report.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., 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.

**Financial Condition**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Town 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), 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.

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

**Other Matters**

Section 10.554(1)(i)2., 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.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Myers, Florida  
April 28, 2017

## INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the Town of Fort Myers Beach, Florida's (Town) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds; during the year ended September 30, 2016. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

Our examination disclosed that the Town held 100% of its investments in intergovernmental pools. The Town's investment policy limits the investment in governmental pools to 75% of its investment portfolio. Our examination also disclosed that the required continuing education hours were not met. The Town's investment policy requires either the Town Manager or the Finance Director complete no less than eight hours of continuing education annually in subjects and courses of study related to investment practices and products.

In our opinion, except for the deviation described in the third paragraph, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

*CliftonLarsonAllen LLP*  
**CliftonLarsonAllen LLP**

Fort Myers, Florida  
April 21, 2017



May 2, 2017

Clifton Larson Allen LLP  
6810 International Center Blvd.  
Fort Myers, Florida 33967

**Management Response to the Independent Accountants' Report**

Since the adoption of the policy on May 5 2014 staff has monitored the interest on the accounts and had not reviewed the investment percentages as no prior audit findings had indicated any deviation.

The Town will be re-allocating 25% of the Municipal Trust Funds into either Certificate of Deposits or Public Money Market Funds.

The Director of Administrative Services had completed training with the Florida Government Finance Officers Association in FY 15-16, yet it was deemed to be short on hours.

The Director of Administrative Services has signed up for the Florida Government Finance Officers Association training on Saturday, June 24, 2017 which will provide the requisite 8 hours for the current FY 16-17.

Signature:  Title: Town Manager

Signature:  Title: Director Administrative Services

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