

TOWN OF FORT MYERS BEACH, FLORIDA

BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

**TOWN OF FORT MYERS BEACH, FLORIDA
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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, 2017, 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, Florida as of September 30, 2017, 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.

Emphasis of a Matter

As described in Note 15, the Town adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASB No. 75, the Town reported a restatement for the change in accounting principle. Our auditors' opinion was not modified with respect to the restatement.

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 50 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, Florida'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.

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

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2018, on our consideration of the Town of Fort Myers Beach, Florida'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 solely 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 the effectiveness of the Town's 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, Florida's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
June 11, 2018

**TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2017**

The discussion and analysis of the Town of Fort Myers Beach, Florida's (the Town) financial statements is intended to provide a narrative introduction to the basic financial statements and an analytical overview of the Town's financial activities for the fiscal year ending September 30, 2017.

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, 2017, the assets of the Town of Fort Myers Beach, Florida exceeded its liabilities by \$43,927,527 (net position). Of this amount, \$6,991,511 of unrestricted net position may be used to meet the Town's ongoing obligations.
- The Town's total net position increased by \$3,402,074.
- The Town of Fort Myers Beach, Florida's governmental funds reported combined ending fund balances of \$5,958,041 as of September 30, 2017. This is an increase of \$1,192,180 over the September 30, 2016 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 net position and 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 2017 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, 2017**

Government-wide Financial Statements (Continued)

- Business-type activities – This column includes the water and stormwater enterprise funds. The water fund is used to account for the operation of the water system. The stormwater fund is used to account for the stormwater system improvements. Both services are supported by 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 60-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, 2017**

Summary of Net Position

The following table reflects a summary of Net Position for the fiscal years September 30, 2017 and 2016:

**Town of Fort Myers Beach, Florida
Summary Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 6,417,765	\$ 5,132,563	\$ 5,179,268	\$ 2,292,446	\$ 11,597,033	\$ 7,425,009
Capital assets	23,714,782	26,994,893	20,538,754	12,857,219	44,253,536	39,852,112
Total assets	<u>30,132,547</u>	<u>32,127,456</u>	<u>25,718,022</u>	<u>15,149,665</u>	<u>55,850,569</u>	<u>47,277,121</u>
Current and other liabilities	379,843	326,919	2,665,010	1,369,094	3,044,853	1,696,013
Noncurrent liabilities	380,804	499,931	8,497,385	4,514,831	8,878,189	5,014,762
Total liabilities	<u>760,647</u>	<u>826,850</u>	<u>11,162,395</u>	<u>5,883,925</u>	<u>11,923,042</u>	<u>6,710,775</u>
Net investment in capital assets	23,714,782	26,934,634	10,903,857	7,973,158	34,618,639	34,907,792
Restricted	2,317,377	1,964,042	-	-	2,317,377	1,964,042
Unrestricted	3,339,741	2,401,930	3,651,770	1,292,582	6,991,511	3,694,512
Total net position	<u>\$ 29,371,900</u>	<u>\$ 31,300,606</u>	<u>\$ 14,555,627</u>	<u>\$ 9,265,740</u>	<u>\$ 43,927,527</u>	<u>\$ 40,566,346</u>

- For governmental activities net position, \$23,714,782, or 81%, 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 \$937,811, or 39%, over 2016. Unrestricted net position accounts for 11% 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 \$2,317,377, or 8% 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, 2017**

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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,246,554	\$ 2,749,685	\$ 5,718,445	\$ 4,415,671	\$ 7,964,999	\$ 7,165,356
Operating grants and contributions	947,638	1,172,525	-	-	947,638	1,172,525
Capital grants and contributions	94,183	162,807	-	-	94,183	162,807
General revenues:						
Property taxes	2,406,645	2,225,160	-	-	2,406,645	2,225,160
Utility taxes	915,293	909,374	-	-	915,293	909,374
Gas taxes	419,678	410,511	-	-	419,678	410,511
Communications taxes	539,376	538,411	-	-	539,376	538,411
Business taxes	6,170	6,572	-	-	6,170	6,572
Franchise fees	89,780	87,898	-	-	89,780	87,898
Intergovernmental, unrestricted	760,454	754,212	-	-	760,454	754,212
Investment earnings	6,839	72,458	118	-	6,957	72,458
Miscellaneous	46,452	37,705	-	-	46,452	37,705
Total revenues	8,479,062	9,127,318	5,718,563	4,415,671	14,197,625	13,542,989
Expenses:						
Program expenses:						
Governmental activities:						
General government	4,035,479	3,326,309	-	-	4,035,479	3,326,309
Public safety	97,876	-	-	-	97,876	-
Physical environment	118,244	182,329	-	-	118,244	182,329
Transportation	1,508,590	2,159,326	-	-	1,508,590	2,159,326
Culture/recreation	1,727,452	1,723,239	-	-	1,727,452	1,723,239
Business-type activities:						
Water Utility	-	-	3,074,289	3,589,382	3,074,289	3,589,382
Stormwater	-	-	233,621	-	233,621	-
Total expenses	7,487,641	7,391,203	3,307,910	3,589,382	10,795,551	10,980,585
Change in net position before transfers	991,421	1,736,115	2,410,653	826,289	3,402,074	2,562,404
Transfers	(2,880,064)	(835,423)	2,880,064	835,423	-	-
Change in net position	(1,888,643)	900,692	5,290,717	1,661,712	3,402,074	2,562,404
Net position - beginning of year as restated	31,260,543	30,399,914	9,264,910	7,604,028	40,525,453	38,003,942
Net position - end of year	\$ 29,371,900	\$ 31,300,606	\$ 14,555,627	\$ 9,265,740	\$ 43,927,527	\$ 40,566,346

Note: Fiscal year 2017 beginning net position is restated due to the implementation of GASB Statement No. 75. See Note 16.

**TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2017**

Total revenues increased by \$654,637, or 4.8% in comparison to the prior year. The majority of the increase is due to the Town recognizing a full year of stormwater assessment fees. All other revenue sources are consistent and within expected ranges.

Total expenses decreased by \$185,034, or 1.7% in comparison to the prior year. The majority of the decrease is due to a reduction in physical environment and maintenance expenses.

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	
	2017	2016	2017	2016
General government	\$ 4,035,479	\$ 3,326,309	\$ 3,292,065	\$ 2,578,892
Public safety	97,876	-	91,876	-
Physical environment	118,244	182,329	118,244	182,329
Transportation	1,508,590	2,159,326	179,285	237,245
Culture/recreation	1,727,452	1,723,239	517,796	307,720
Totals	<u>\$ 7,487,641</u>	<u>\$ 7,391,203</u>	<u>\$ 4,199,266</u>	<u>\$ 3,306,186</u>

The cost of all governmental activities this fiscal year was \$7.5 million as comparable to \$7.4 million for fiscal year 2016. As show in the statement of activities (page 13), the net (Expense) from governmental activities was \$4.2 million for 2017 compared to a net cost of \$3.3 million for 2016. Revenues contributing to earnings from governmental activities consisted of:

- \$2,246,554 in charges for services of which there was approximately \$597,000 in revenue from permits and zoning fees, approximately \$1,079,000 from parking facilities revenues, approximately \$179,000 for harborage usage fees, and approximately \$239,000 from parks and recreation fees with the remainder from various fees for general government service.
- \$947,638 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.
- \$94,183 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 \$5,718,564 and \$4,415,671 for 2017 and 2016, respectively. Operating expenses totaled \$3,307,910 and \$3,589,382 for 2017 and 2016, respectively. The increase in net position was \$5,290,718 and \$1,661,712 for 2017 and 2016, respectively.

**TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2017**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

The *General Fund* is the chief operating fund of the Town. It is used to account for all financial resources except those to be accounted for in another fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,875,717. During the current fiscal year, the fund balance of the Town's General Fund increased by \$714,110.

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 \$926,383, all of which is restricted to road improvements and transportation related items. This fund balance increased by \$308,227 in FY 2017.

The *Capital Projects Fund* is maintained by transfers from the general fund and other special revenue funds. Capital outlay of \$227,191 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 funds are used to account for activities for which a fee is charged to external users for services. These funds provide the same type of information found in the Governmental-wide Financial Statements, but in more detail.

BUDGETARY HIGHLIGHTS

During the year, there was a \$34,294 increase in budgeted revenue in the general fund between the original and final amended budget. Following are the main components of the increase:

- \$29,850 – Funds for removal of abandoned vessels.
- \$24,294 – Donations for New Years and 4th of July fireworks
- \$27,569 – Additional grants received

Revenue budget-to-actual in the general fund resulted in a \$382,360, or 5.8%, positive revenue variance. The significant variances between actual and final budget are as follows:

- Franchise Taxes – \$163,843
- Charges for Services - \$221,187
- Licenses and Permits – \$87,402
- Property Taxes – Negative \$90,526 – Property Taxes were budgeted at 100% of billing. Consideration was not allowed for taxpayers utilizing the discount up to 4% for paying early.

**TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2017**

BUDGETARY HIGHLIGHTS (CONTINUED)

The original budget for general government expenditures was reduced by \$323,100 primarily due to the reduction of budgeted capital outlay. Budget-to-actual expenditures in the general fund show a \$789,096 positive variance (actual less than final budget). This difference is primarily attributable to an unused contingency budget of \$100,000, \$450,000 of personal services, and 250,000 in contractual services. 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:

Town of Fort Myers Beach, Florida Capital Assets						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 10,536,780	\$ 10,536,780	\$ 305,000	\$ 305,000	\$ 10,841,780	\$ 10,841,780
Buildings and leasehold improvements	6,679,504	6,792,511	-	-	6,679,504	6,792,511
Improvements other than building	1,602,966	1,618,128	-	-	1,602,966	1,618,128
Office furniture and equipment	248,500	332,830	-	-	248,500	332,830
Vehicles and other equipment	720,849	703,274	37,842	57,930	758,691	761,204
Infrastructure	3,888,649	6,835,770	14,408,300	12,034,403	18,296,949	18,870,173
Construction in progress	37,533	175,600	5,787,612	459,886	5,825,145	635,486
Total capital assets	<u>\$ 23,714,781</u>	<u>\$ 26,994,893</u>	<u>\$ 20,538,754</u>	<u>\$ 12,857,219</u>	<u>\$ 44,253,535</u>	<u>\$ 39,852,112</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, 2017 and 2016, the Town had \$8,465,898 and \$4,494,606, respectively, in long-term debt. The following table provides a breakdown:

Town of Fort Myers Beach, Florida Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Refunding bond payable	\$ -	\$ -	\$ 1,260,000	\$ 1,440,000	\$ 1,260,000	\$ 1,440,000
State revolving fund loan	-	-	7,205,898	3,054,606	7,205,898	3,054,606
Total debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,465,898</u>	<u>\$ 4,494,606</u>	<u>\$ 8,465,898</u>	<u>\$ 4,494,606</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, 2017**

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 2017-2018 fiscal year:

- Council increased the millage rate to .8700 mills and budgeted 96% of the Taxable Value.
- The Town is planning significant investment in infrastructure in the water utility as well as the expansion of the stormwater utility, which will 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 state of Florida Department of Environmental Protection has approved a stormwater loan for the first eight side streets in the Town in the amount of \$5,536,000 and it is anticipated that future state loans will be pursued to complete the Towns' stormwater infrastructure program.
- The Town has budgeted for a lobbyist to monitor state legislation for capital projects.

REQUESTS FOR INFORMATION

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

Town of Fort Myers Beach
Finance Director
2525 Estero Boulevard
Fort Myers Beach, FL 33931

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,928,574	\$ 2,694,250	\$ 6,622,824
Investments	1,822,297	-	1,822,297
Due from other governments	332,088	904,093	1,236,181
Accounts receivable, net	126,818	1,044,858	1,171,676
Prepaid expenses	195,228	430	195,658
Internal balances	12,760	(12,760)	-
Restricted cash and investments	-	548,397	548,397
Capital assets (net of accumulated depreciation):			
Land	10,536,780	305,000	10,841,780
Buildings and leasehold improvements	6,679,504	714,556	7,394,060
Improvements other than buildings	1,602,966	-	1,602,966
Office furniture and equipment	248,500	671	249,171
Vehicles and other equipment	720,849	106,642	827,491
Infrastructure	3,888,649	13,624,273	17,512,922
Construction in progress	37,534	5,787,612	5,825,146
Total assets	<u>30,132,547</u>	<u>25,718,022</u>	<u>55,850,569</u>
LIABILITIES			
Accounts payable and other accrued liabilities	379,843	922,785	1,302,628
Accrued interest payable	-	11,403	11,403
Retainage payable	-	362,456	362,456
Customer refunds payable	-	7,276	7,276
Due to other governments	-	1,000,600	1,000,600
Liabilities payable from restricted assets:			
Customer deposits	-	360,490	360,490
Long-term liabilities:			
Due within one year	-	180,000	180,000
Due in more than one year	380,804	8,317,385	8,698,189
Total liabilities	<u>760,647</u>	<u>11,162,395</u>	<u>11,923,042</u>
NET POSITION			
Net Investment in capital assets	23,714,782	10,903,857	34,618,639
Restricted for:			
Parks and recreation	514,882	-	514,882
Transportation	1,802,495	-	1,802,495
Unrestricted	3,339,741	3,651,770	6,991,511
Total net position	<u>\$ 29,371,900</u>	<u>\$ 14,555,627</u>	<u>\$ 43,927,527</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Program Revenues				Net Revenue (Expense) 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
Primary government:							
Governmental activities:							
General government	\$ 4,035,479	\$ 743,414	\$ -	\$ -	\$ (3,292,065)	\$ -	\$ (3,292,065)
Public safety	97,876	-	6,000	-	(91,876)	-	(91,876)
Physical environment	118,244	-	-	-	(118,244)	-	(118,244)
Transportation	1,508,590	1,263,702	29,850	35,753	(179,285)	-	(179,285)
Economic environment	-	-	-	-	-	-	-
Culture/recreation	1,727,452	239,438	911,788	58,430	(517,796)	-	(517,796)
Total governmental activities	<u>7,487,641</u>	<u>2,246,554</u>	<u>947,638</u>	<u>94,183</u>	<u>(4,199,266)</u>	<u>-</u>	<u>(4,199,266)</u>
Business-type activities:							
Water	3,074,289	4,580,707	-	-	-	1,506,418	1,506,418
Stormwater	233,621	1,137,738	-	-	-	904,117	904,117
Total business-type activities	<u>3,307,910</u>	<u>5,718,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,410,535</u>	<u>2,410,535</u>
Total primary government	<u>\$ 10,795,551</u>	<u>\$ 7,964,999</u>	<u>\$ 947,638</u>	<u>\$ 94,183</u>	<u>(4,199,266)</u>	<u>2,410,535</u>	<u>(1,788,731)</u>
General revenues:							
Property taxes, levied for general purposes					2,406,645	-	2,406,645
Utility taxes					915,293	-	915,293
Gas taxes					419,678	-	419,678
Communications taxes					539,376	-	539,376
Business taxes					6,170	-	6,170
Franchise fees					89,780	-	89,780
Intergovernmental revenues, not restricted to specific programs					760,454	-	760,454
Impact fees					-	-	-
Investment earnings					6,839	118	6,957
Miscellaneous					46,452	-	46,452
Transfers					(2,880,064)	2,880,064	-
Total general revenues					<u>2,310,623</u>	<u>2,880,182</u>	<u>5,190,805</u>
Change in net position					(1,888,643)	5,290,717	3,402,074
Net position - beginning of year as restated					31,260,543	9,264,910	40,525,453
Net position - end of year					<u>\$ 29,371,900</u>	<u>\$ 14,555,627</u>	<u>\$ 43,927,527</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General	Gas Tax	Stormwater	Beach Access	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents - unrestricted	\$ 2,392,861	\$ 530,569	\$ -	\$ -	\$ -	\$ 1,005,146	\$ 3,928,576
Investments	1,468,554	353,744	-	-	-	-	1,822,298
Investments - restricted	-	-	-	-	-	-	-
Taxes receivable	97,775	-	-	-	-	-	97,775
Special assessments and other receivables	29,043	-	-	-	-	-	29,043
Prepaid expenses	193,572	-	-	1,656	-	-	195,228
Inventory	-	-	-	-	-	-	-
Due from other funds	302,072	-	-	-	104,837	-	406,909
Advances to other funds	-	14,152	-	-	-	-	14,152
Due from other governments	104,657	34,079	-	193,353	-	-	332,089
	<u>\$ 4,588,534</u>	<u>\$ 932,544</u>	<u>\$ -</u>	<u>\$ 195,009</u>	<u>\$ 104,837</u>	<u>\$ 1,005,146</u>	<u>\$ 6,826,070</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)							
LIABILITIES							
Account payable and accrued liabilities	\$ 338,679	\$ 6,161	\$ -	\$ 23,664	\$ 11,339	\$ -	\$ 379,843
Due to other funds	156,364	-	-	185,563	52,222	-	394,149
Advances from other funds	14,152	-	-	-	-	-	14,152
Total liabilities	<u>509,195</u>	<u>6,161</u>	<u>-</u>	<u>209,227</u>	<u>63,561</u>	<u>-</u>	<u>788,144</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue, special assessments	<u>59,332</u>	<u>-</u>	<u>-</u>	<u>20,553</u>	<u>-</u>	<u>-</u>	<u>79,885</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2017**

	<u>General</u>	<u>Gas Tax</u>	<u>Stormwater</u>	<u>Beach Access</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCE (DEFICIT)							
Nonspendable:							
Prepaid items	\$ 193,572	\$ -	\$ -	\$ 1,656	\$ -	\$ -	\$ 195,228
Advances to other funds	-	14,152	-	-	-	-	14,152
Restricted:							
Parks and recreation	400,000	-	-	-	-	114,882	514,882
Transportation	-	912,231	-	-	-	890,264	1,802,495
Committed:							
Old San Carlos capital projects	122,718	-	-	-	-	-	122,718
Beach renourishment	100,000	-	-	-	-	-	100,000
Capital Projects	-	-	-	-	41,276	-	41,276
Emergency	675,000	-	-	-	-	-	675,000
Compensated absences	78,000	-	-	-	-	-	78,000
Assigned:							
Emergency	575,000	-	-	-	-	-	575,000
Unassigned	1,875,717	-	-	(36,427)	-	-	1,839,290
Total fund balance (deficit)	<u>4,020,007</u>	<u>926,383</u>	<u>-</u>	<u>(34,771)</u>	<u>41,276</u>	<u>1,005,146</u>	<u>5,958,041</u>
 Total liabilities, deferred inflows of resources, and fund balance (deficit)	 <u>\$ 4,588,534</u>	 <u>\$ 932,544</u>	 <u>\$ -</u>	 <u>\$ 195,009</u>	 <u>\$ 104,837</u>	 <u>\$ 1,005,146</u>	 <u>\$ 6,826,070</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, 2017**

Fund balance totals: \$ 5,958,041

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	\$ 28,375,227	
Less: Accumulated depreciation	<u>(4,660,446)</u>	23,714,781

Certain deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 79,885

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

Compensated absences	(157,022)	
Claims and judgements payable	(101,654)	
Other postemployment benefits	<u>(122,128)</u>	<u>(380,804)</u>

Net position of governmental activities \$ 29,371,903

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	General	Gas Tax	Stormwater	Beach Access	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	\$ 2,406,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,406,645
Gas	-	419,678	-	-	-	-	419,678
Franchise	818,343	-	-	-	-	-	818,343
Communications services	539,376	-	-	-	-	-	539,376
Local business	6,170	-	-	-	-	-	6,170
Licenses and permits	596,902	-	-	-	-	-	596,902
Intergovernmental revenues	845,616	53,379	-	774,028	41,256	-	1,714,279
Charges for services	1,643,617	-	-	-	-	-	1,643,617
Fines and forfeitures	7,714	-	-	-	-	-	7,714
Special assessments/Impact fees	-	-	-	-	-	45,108	45,108
Interest	6,503	337	-	-	-	-	6,840
Other	56,738	-	-	-	-	-	56,738
Total revenues	<u>6,927,624</u>	<u>473,394</u>	<u>-</u>	<u>774,028</u>	<u>41,256</u>	<u>45,108</u>	<u>8,261,410</u>
EXPENDITURES							
Current:							
General government	3,026,112	-	-	-	-	-	3,026,112
Public safety	97,876	-	-	-	-	-	97,876
Physical environment	114,687	-	-	-	-	-	114,687
Transportation	904,052	265,167	-	-	-	-	1,169,219
Culture/Recreation	1,468,338	-	-	704,690	-	-	2,173,028
Capital Outlay:	145,663	-	-	104,109	227,191	-	476,963
Total expenditures	<u>5,756,728</u>	<u>265,167</u>	<u>-</u>	<u>808,799</u>	<u>227,191</u>	<u>-</u>	<u>7,057,885</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,170,896</u>	<u>208,227</u>	<u>-</u>	<u>(34,771)</u>	<u>(185,935)</u>	<u>45,108</u>	<u>1,203,525</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	20,425	-	-	-	-	-	20,425
Operating transfer in	153,870	100,000	118,230	-	227,211	-	599,311
Operating transfers out	(631,081)	-	-	-	-	-	(631,081)
Total other financing sources (uses)	<u>(456,786)</u>	<u>100,000</u>	<u>118,230</u>	<u>-</u>	<u>227,211</u>	<u>-</u>	<u>(11,345)</u>
NET CHANGE IN FUND BALANCES	714,110	308,227	118,230	(34,771)	41,276	45,108	1,192,180
Fund Balances - October 1, 2016	<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>
FUND BALANCES - SEPTEMBER 30, 2017	<u>\$ 4,020,007</u>	<u>\$ 926,383</u>	<u>\$ -</u>	<u>\$ (34,771)</u>	<u>\$ 41,276</u>	<u>\$ 1,005,146</u>	<u>\$ 5,958,041</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, 2017

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

Net change in fund balances - total governmental funds \$ 1,192,180

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	\$ 476,963	
Depreciation	<u>(901,372)</u>	(424,409)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets. (7,409)

Transfers of capital assets from governmental activities to enterprise funds decrease net position in the statement of net position but do not impact the governmental funds because they are not financial resources. (2,848,294)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 40,099

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	15,976	
Change in claims and judgements payable	164,535	
Change in other postemployment benefits	<u>(21,321)</u>	<u>159,190</u>

Change in net position of governmental activities \$ (1,888,643)

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2017

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 2,497,171	\$ 2,497,171	\$ 2,406,645	\$ (90,526)
Franchise taxes	654,500	654,500	818,343	163,843
Communications services tax	523,969	523,969	539,376	15,407
Local business	10,000	10,000	6,170	(3,830)
Licenses and permits	509,500	509,500	596,902	87,402
Intergovernmental revenues	837,905	847,905	845,616	(2,289)
Charges for services	1,422,430	1,422,430	1,643,617	221,187
Fines and forfeitures	4,000	4,000	7,714	3,714
Miscellaneous:				
Interest	45,495	45,495	6,503	(38,992)
Other	6,000	30,294	56,738	26,444
Total revenues	<u>6,510,970</u>	<u>6,545,264</u>	<u>6,927,624</u>	<u>382,360</u>
EXPENDITURES				
Current:				
General government	3,741,713	3,418,613	3,026,112	392,501
Public safety	-	-	97,876	(97,876)
Physical environment	245,756	245,756	114,687	131,069
Transportation	1,229,714	1,261,615	904,052	357,563
Culture/Recreation	1,518,467	1,615,840	1,468,338	147,502
Capital outlay	4,000	4,000	145,663	(141,663)
Total expenditures	<u>6,739,650</u>	<u>6,545,824</u>	<u>5,756,728</u>	<u>789,096</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(228,680)</u>	<u>(560)</u>	<u>1,170,896</u>	<u>1,171,456</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	20,425	20,425
Operating transfers in	244,800	244,800	153,870	(90,930)
Operating transfers out	20,120	1,093,040	(631,081)	(1,724,121)
Total other financing sources (uses)	<u>264,920</u>	<u>1,337,840</u>	<u>(456,786)</u>	<u>(1,794,626)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 36,240</u>	<u>\$ 1,337,280</u>	<u>\$ 714,110</u>	<u>\$ (623,170)</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, 2017

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Gas taxes	\$ 411,990	\$ 411,990	\$ 419,678	\$ 7,688
Intergovernmental	51,511	51,511	53,379	1,868
Miscellaneous:				
Interest	20,000	20,000	337	(19,663)
Total revenues	<u>483,501</u>	<u>483,501</u>	<u>473,394</u>	<u>(10,107)</u>
EXPENDITURES				
Current:				
Transportation	483,501	483,501	265,167	218,334
Total expenditures	<u>483,501</u>	<u>483,501</u>	<u>265,167</u>	<u>218,334</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>208,227</u>	<u>208,227</u>
OTHER FINANCING SOURCES				
Operating transfers in	-	-	100,000	100,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,227</u>	<u>\$ 308,227</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, 2017

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 774,100	\$ 804,100	\$ 774,028	\$ (30,072)
Total revenues	<u>774,100</u>	<u>804,100</u>	<u>774,028</u>	<u>(30,072)</u>
EXPENDITURES				
Current:				
General government	323,850	287,650	-	287,650
Culture/Recreation	331,250	397,450	704,690	(307,240)
Capital outlay	119,000	119,000	104,109	14,891
Total expenditures	<u>774,100</u>	<u>804,100</u>	<u>808,799</u>	<u>(4,699)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,771)</u>	<u>\$ (34,771)</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Water Fund	Stormwater Fund	Total
ASSETS			
Current assets			
Cash	\$ 1,987,204	\$ 707,046	\$ 2,694,250
Accounts receivable, net	1,044,858	-	1,044,858
Due from other funds	68,612	134,825	203,437
Due from other governments	904,093	-	904,093
Prepaid items	430	-	430
Total current assets	4,005,197	841,871	4,847,068
Noncurrent assets			
Restricted cash	548,397	-	548,397
Capital assets, net	17,284,110	3,254,644	20,538,754
Total noncurrent assets	17,832,507	3,254,644	21,087,151
Total assets	21,837,704	4,096,515	25,934,219
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities			
Payable from current assets:			
Current portion of note payable	180,000	-	180,000
Accrued interest payable	11,403	-	11,403
Accounts payable and accrued liabilities	679,063	243,722	922,785
Retainage payable	362,456	-	362,456
Customer refunds payable	7,276	-	7,276
Due to other governments	1,000,600	-	1,000,600
Due to other funds	147,585	68,612	216,197
Total payable from current assets	2,388,383	312,334	2,700,717
Payable from restricted assets:			
Customer deposits	360,490	-	360,490
Total current liabilities	2,748,873	312,334	3,061,207
Long-term liabilities			
Compensated absences	26,962	-	26,962
Notes payable	8,285,898	-	8,285,898
Other postemployment benefits liability	4,525	-	4,525
Total long-term liabilities	8,317,385	-	8,317,385
Total liabilities	11,066,258	312,334	11,378,592
NET POSITION			
Net Investment in capital assets	7,892,935	3,010,922	10,903,857
Unrestricted	2,878,511	773,259	3,651,770
Total net position	\$ 10,771,446	\$ 3,784,181	\$ 14,555,627

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017**

	Water Fund	Stormwater Fund	Total
OPERATING REVENUES			
Charges for services	\$ 4,456,719	\$ 1,132,663	\$ 5,589,382
Other Revenue	123,988	5,075	129,063
Total operating revenues	<u>4,580,707</u>	<u>1,137,738</u>	<u>5,718,445</u>
OPERATING EXPENSES			
Bulk water	1,563,401	-	1,563,401
Depreciation expense	407,325	76,050	483,375
Repairs and maintenance	208,281	65,818	274,099
Insurance	81,800	-	81,800
Salaries and benefits	401,116	-	401,116
Power	43,712	-	43,712
Professional services	8,349	12,629	20,978
Other operating supplies and expenses	292,224	72,825	365,049
Office expenses	45,275	6,299	51,574
Total operating expenses	<u>3,051,483</u>	<u>233,621</u>	<u>3,285,104</u>
Operating income	<u>1,529,224</u>	<u>904,117</u>	<u>2,433,341</u>
NONOPERATING REVENUE (EXPENSE)			
Interest income	118	-	118
Interest expense	(22,806)	-	(22,806)
Total nonoperating expenses	<u>(22,688)</u>	<u>-</u>	<u>(22,688)</u>
INCOME BEFORE TRANSFERS	1,506,536	904,117	2,410,653
Transfers in	-	150,000	150,000
Transfers out	-	(118,230)	(118,230)
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,506,536	935,887	2,442,423
Capital contributions	-	2,848,294	2,848,294
CHANGE IN NET POSITION	1,506,536	3,784,181	5,290,717
Total net position - beginning of year as restated	<u>9,264,910</u>	<u>-</u>	<u>9,264,910</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 10,771,446</u>	<u>\$ 3,784,181</u>	<u>\$ 14,555,627</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	Water Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,743,187	\$ 1,137,738	\$ 5,880,925
Cash paid to suppliers and others	(2,228,808)	(157,571)	(2,386,379)
Cash paid to employees	(390,682)	-	(390,682)
Net cash provided by operating activities	<u>2,123,697</u>	<u>980,167</u>	<u>3,103,864</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	766,811	653,483	1,420,294
Other receipts (payments)	(458,796)	(640,224)	(1,099,020)
Net cash used by noncapital financing activities	<u>308,015</u>	<u>13,259</u>	<u>321,274</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on note	(180,000)	-	(180,000)
Proceeds from loan	4,151,291	-	4,151,291
Interest paid on note	(24,435)	-	(24,435)
Acquisition of capital assets	(4,298,394)	(286,380)	(4,584,774)
Net cash provided (used) by capital and related financing activities	<u>(351,538)</u>	<u>(286,380)</u>	<u>(637,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	117	-	117
NET CHANGE IN CASH	2,080,291	707,046	2,787,337
Cash and cash equivalents - beginning of year	455,310	-	455,310
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,535,601</u>	<u>\$ 707,046</u>	<u>\$ 3,242,647</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	\$ 1,987,204	\$ 707,046	\$ 2,694,250
Restricted cash	548,397	-	548,397
Total cash and cash equivalents	<u>\$ 2,535,601</u>	<u>\$ 707,046</u>	<u>\$ 3,242,647</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Purchases of capital assets on account	<u>\$ 562,821</u>	<u>\$ 243,722</u>	<u>\$ 806,543</u>
Contributions of capital assets	<u>\$ -</u>	<u>\$ 2,848,294</u>	<u>\$ 2,848,294</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

	Water Fund	Stormwater Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,529,224	\$ 904,117	\$ 2,433,341
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	407,325	76,050	483,375
Net (increase) decrease in:			
Accounts Receivables	27,679	-	27,679
Due from other governments	(300,198)	-	(300,198)
Prepaid expenses	(257)	-	(257)
Net increase (decrease) in:			
Accounts payable and accrued expenses	14,491	-	14,491
Due to other governments	420,730	-	420,730
Customer refunds payable	(540)	-	(540)
Customer deposits	14,809	-	14,809
Compensated absences	7,993	-	7,993
Other postemployment benefits liability	2,441	-	2,441
Net cash provided by operating activities	<u>\$ 2,123,697</u>	<u>\$ 980,167</u>	<u>\$ 3,103,864</u>

See accompanying Notes to Financial Statements.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Basic Financial Statements (Continued)

(a) Government-Wide and Fund Financial Statements (Continued)

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.

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.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Basic Financial Statements (Continued)

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

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 60 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.

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

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

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

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

The *Beach 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.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Basic Financial Statements (Continued)

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

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.

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

- (c) Budgets and budgetary accounting

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

1. On or before July 15 of each year, the Town Manager is to submit to the Town Council a proposed operating budget, including a Town Manager's message explaining the budget, for the fiscal year commencing the following October 1. The operating budget will include a complete financial plan of all Town funds and activities for the ensuing fiscal year.
2. The Town Council shall publish in one or more newspapers of general circulation the time and place of public hearings. Public hearings are then conducted to obtain taxpayer comments.
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 GAAP.
5. Budget amounts, as shown in the fund financial statements, are as originally adopted and as finally amended by the Town Council. If, during the fiscal year, additional revenues become available for appropriation in excess of those estimated in the budget, the Town Council may make supplemental appropriations by resolution for the year up to the amount of such excess. There were no supplemental appropriations during the year.
6. The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. The Council must approve all budget amendments, which change the legally adopted total appropriation for a fund. Authority to transfer budget within a fund is delegated to the Town Council. Appropriations lapse at the fiscal year-end.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Basic Financial Statements (Continued)

(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).
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.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Basic Financial Statements (Continued)

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

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."

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2017, 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.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Basic Financial Statements (Continued)

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

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 at 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:

Building and Building Improvements	10 – 40 Years
Leasehold Improvements	10 Years
Equipment	5 – 10 Years
Computer Equipment	3 – 10 Years
Furniture	3 – 10 Years
Vehicles and Rolling Stock	3 – 10 Years
Distribution Lines	20 – 25 Years
Booster Stations	25 Years
Generators	10 Years
Infrastructure	40 Years

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Basic Financial Statements (Continued)

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

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.

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.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Basic Financial Statements (Continued)

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

Fund Balance/Net Position (Continued)

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.

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.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Basic Financial Statements (Continued)

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

Fund Balance/Net Position (Continued)

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 GAAP requires management of the Town to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 PROPERTY TAXES

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

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

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

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Beach Access Fund – The current accumulated fund deficit is (\$34,771). The Town expects the deficit to be recovered from subsequent reimbursement requests.

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 nonnegotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Treasurer eligible collateral having a market value equal to or in excess of the average daily balance of public deposits times the depository collateral pledging level required pursuant to Chapter 280 as computed and reported monthly or 125% of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of 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, 2017, the Town had the following investments:

<u>Investment Type</u>	<u>Percent of Portfolio</u>	<u>Fair Value</u>
Florida Municipal Investment Trust (FMIT)	79.05 %	\$ 1,440,615
SBA Florida PRIME	20.95	381,682
Total		<u>\$ 1,822,297</u>

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The FMIT is an external investment pool. The Town's investment in the FMIT is not evidenced by securities that exist in physical or book form and, therefore, disclosures for concentration of credit risk and custodial credit risk are not applicable. 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, 2017. 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, 2017 was 3.80 years.

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, 2017, was 51 days. The Florida PRIME is rated by Standard & Poor's. The current rating is AA Am.

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*.

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."

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2017, 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.

Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

The Town has the following recurring fair value measurements as of September 30, 2017:

Intermediate High Quality Bond Fund of \$1.4 million valued based on market-corroborated data (Level 2).

NOTE 5 ACCOUNTS RECEIVABLE

At September 30, 2017, accounts receivable consisted of the following:

	Gross Accounts Receivable	Less Allowance for Doubtful Accounts	Accounts Receivable, Net
<u>Government Activities</u>			
Taxes receivable			
Special assessments and other receivables	\$ 97,775	\$ -	\$ 97,775
Total	29,043	-	29,043
	<u>\$ 126,818</u>	<u>\$ -</u>	<u>\$ 126,818</u>
<u>Business-Type Activities</u>			
Water	\$ 1,096,721	\$ (51,863)	\$ 1,044,858
	<u>\$ 1,096,721</u>	<u>\$ (51,863)</u>	<u>\$ 1,044,858</u>

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 RESTRICTED ASSETS

Restricted assets represent funds restricted for the following purposes at September 30, 2017:

<u>Business-Type Activities</u>	\$ 360,490
Customer deposits	187,907
Water main improvement project	<u>\$ 548,397</u>
Total	

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At September 30, 2017, the Town reported the following advances to/from other funds:

	Due from Other Funds	Due to Other Funds
<u>Governmental Activities</u>		
General fund	\$ 302,072	\$ 156,364
Capital projects fund	104,837	52,222
Beach access fund	-	185,563
Total	<u>\$ 406,909</u>	<u>\$ 394,149</u>
<u>Business-Type Activities</u>		
Water fund	\$ 68,612	\$ 147,585
Stormwater fund	134,825	68,612
Total	<u>\$ 203,437</u>	<u>\$ 216,197</u>

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, 2017, the Town reported the following advances to/from other funds:

	Advances from Other Funds	Advances to Other Funds
<u>Governmental Activities</u>		
General fund	\$ -	\$ 14,152
Gas tax fund	14,152	-
Total	<u>\$ 14,152</u>	<u>\$ 14,152</u>
<u>Business-Type Activities</u>	<u>\$ 835,423</u>	<u>\$ 674,892</u>

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

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

At September 30, 2017, the Town reported the following interfund transfers:

<u>Governmental Activities</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 153,870	\$ 631,081
Gas tax fund	100,000	-
Stormwater fund	118,230	-
Capital projects fund	227,211	-
Total	<u>\$ 599,311</u>	<u>\$ 631,081</u>
<u>Business-Type Activities</u>		
Stormwater fund	<u>\$ 150,000</u>	<u>\$ 118,230</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.

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 is summarized as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Transfers and 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	175,600	52,789	(190,856)	37,533
Total capital assets not being depreciated	10,712,380	52,789	(190,856)	10,574,313
Capital assets being depreciated:				
Buildings and leasehold improvements	7,862,831	130,525	-	7,993,356
Improvements other than building	1,790,931	139,537	-	1,930,468
Office furniture and equipment	850,292	-	-	850,292
Vehicles and other equipment	1,693,854	267,608	(68,593)	1,892,869
Infrastructure	7,987,250	-	(2,853,321)	5,133,929
Total capital assets being depreciated	<u>20,185,158</u>	<u>537,670</u>	<u>(2,921,914)</u>	<u>17,800,914</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	1,070,320	243,532	-	1,313,852
Improvements other than building	172,803	154,699	-	327,502
Office furniture and equipment	517,462	84,330	-	601,792
Vehicles and other equipment	990,580	242,624	(61,184)	1,172,020
Infrastructure	1,151,480	176,187	(82,387)	1,245,280
Total accumulated depreciation	<u>3,902,645</u>	<u>901,372</u>	<u>(143,571)</u>	<u>4,660,446</u>
Total capital assets being depreciated, net	<u>16,282,513</u>	<u>(363,702)</u>	<u>(2,778,343)</u>	<u>13,140,468</u>
Total governmental activities capital assets, net	<u>\$ 26,994,893</u>	<u>\$ (310,913)</u>	<u>\$ (2,969,199)</u>	<u>\$ 23,714,781</u>

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 CAPITAL ASSETS (CONTINUED)

<u>Business-Type Activities</u>	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 305,000	\$ -	\$ -	\$ 305,000
Construction in progress	459,886	5,327,726	-	5,787,612
Total capital assets not being depreciated	764,886	5,327,726	-	6,092,612
Capital assets being depreciated:				
Computer equipment	62,975	-	-	62,975
South booster station	416,584	-	-	416,584
North booster station	721,156	-	-	721,156
North Estero	1,304,112	-	-	1,304,112
Distribution lines	12,499,331	-	-	12,499,331
Seawall	162,108	-	-	162,108
Vehicles	69,257	-	-	69,257
Generators	95,104	-	-	95,104
Equipment	11,560	66,250	-	77,810
Infrastructure	-	2,853,321	-	2,853,321
Total capital assets being depreciated	15,342,187	2,919,571	-	18,261,758
Less accumulated depreciation for:				
Computer equipment	61,684	620	-	62,304
South booster station	235,614	25,776	-	261,390
North booster station	130,375	31,419	-	161,794
North Estero	231,840	43,470	-	275,310
Distribution lines	2,454,845	274,486	-	2,729,331
Seawall	26,117	5,404	-	31,521
Vehicles	18,100	13,851	-	31,951
Generators	88,331	6,237	-	94,568
Equipment	2,948	6,062	-	9,010
Infrastructure	-	158,437	-	158,437
Total accumulated depreciation	3,249,854	565,762	-	3,815,616
Total capital assets being depreciated, net	12,092,333	2,353,809	-	14,446,142
Total business-type activities capital assets, net	<u>\$ 12,857,219</u>	<u>\$ 7,681,535</u>	<u>\$ -</u>	<u>\$ 20,538,754</u>

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General government	\$ 652,265
Transportation	28,869
Economic environment	-
Culture and recreation	220,238
Total depreciation expense, governmental activities	<u>\$ 901,372</u>

Business-Type Activities

Water	\$ 407,325
Stormwater	76,050
Total depreciation expense, business-type activities	<u>\$ 483,375</u>

NOTE 9 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended September 30, 2017 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Compensated absences	\$ 172,998	\$ 219,815	\$ (235,791)	\$ 157,022	\$ -
Claims and judgements	266,189	-	(164,535)	101,654	-
Other postemployment benefits	100,807	21,321	-	122,128	-
Total	<u>\$ 539,994</u>	<u>\$ 241,136</u>	<u>\$ (400,326)</u>	<u>\$ 380,804</u>	<u>\$ -</u>
<u>Business-Type Activities</u>					
Compensated absences	\$ 18,969	\$ 28,456	\$ (20,463)	\$ 26,962	\$ -
Note payable	1,440,000	-	(180,000)	1,260,000	180,000
State revolving fund loan	3,054,606	4,151,292	-	7,205,898	-
Other postemployment benefits	2,084	2,441	-	4,525	-
Total	<u>\$ 4,515,659</u>	<u>\$ 4,182,189</u>	<u>\$ (200,463)</u>	<u>\$ 8,497,385</u>	<u>\$ 180,000</u>

Governmental Activities

For the governmental activities, compensated absences, claims and judgements, and other postemployment 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, 2017, \$291,035 has been recovered leaving a balance of \$101,654 yet to be recovered.

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 LONG-TERM OBLIGATIONS (CONTINUED)

Business-Type Activities

The long-term debt at September 30, 2017, is summarized as follows:

<u>Description</u>	<u>Balance</u>
<p>\$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.</p>	\$1,260,000
<p>\$17,148,027 State Revolving Fund Loan - issued for the purpose of funding the water main improvement projects. The loan bears interest ranging from .92% to 1.24%, and is collateralized by a subordinated pledge of the net revenues of the utility. Principal and interest is payable in 40 semi-annual payments commencing May 15, 2019. The semi-annual payment will be determined upon the last draw at the completion of the project.</p>	7,205,898
Total bonds and loan payable	<u>\$ 8,465,898</u>

Annual Maturities of Long-Term Obligations

The annual debt service requirements to pay the bonds and loan payable at September 30, 2017 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 180,000	\$ 21,177	\$ 201,177
2019	234,663	163,981	398,644
2020	516,430	79,680	596,110
2021	519,532	73,320	592,852
2022	522,663	66,931	589,594
2023 - 2027	2,121,299	252,463	2,373,762
2028 - 2032	1,844,017	163,231	2,007,248
2033 - 2037	1,930,617	76,628	2,007,245
2038 - 2039	596,677	5,498	602,175
Total	<u>\$ 8,465,898</u>	<u>\$ 902,909</u>	<u>\$ 9,368,807</u>

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 9 LONG-TERM OBLIGATIONS (CONTINUED)

Loan Agreements

The loan agreements contain 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, 2017.

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, 2017, 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, 2017) and vest 100% to employee upon contribution to the Plan. For the year ended September 30, 2017, contributions to the Plan totaled \$245,854.

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Funding Policy

The postemployment 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 postemployment healthcare benefits plan does not issue a stand-alone financial report.

As of September 30, 2017, there were no retirees and eligible dependents receiving postemployment healthcare benefits.

Contribution requirements for the postemployment 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 postemployment 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.

Net OPEB Liability

The components of the Town's net OPEB liability at September 30, 2017 were as follows.

Total OPEB liability	\$ 126,653
Plan fiduciary net position	-
Net OPEB liability	<u>\$ 126,653</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0%
--	----

Actuarial 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, 2017**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Town's net OPEB liability was measured as of September 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2015. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using the standard actuarial roll-forward techniques.

The assumptions used in the actuarial valuation were as follows:

Discount rate	2.24% based on the 20-year municipal bond index
Inflation rate	3.50%
Healthcare cost trend rate(s)	8% for 2016 graded down by 0.50% per year to 5% for 2020/2021
Mortality	Sex-distinct rates set forth in the RP-2000 Mortality Table with full generational improvements mortality using Scale AA.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at September 30, 2015	\$ 102,891	\$ -	\$ 102,891
Changes for the year:			
Service cost	21,172	-	21,172
Expected interest growth	2,777	-	2,777
Benefit payments	(187)	-	(187)
Net changes	<u>23,762</u>	<u>-</u>	<u>23,762</u>
Balance at September 30, 2016	<u>\$ 126,653</u>	<u>\$ -</u>	<u>\$ 126,653</u>

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Continued)

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.24%	2.24%	3.24%
Net OPEB liability	<u>\$ 137,586</u>	<u>\$ 126,653</u>	<u>\$ 114,968</u>

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 105,061</u>	<u>\$ 126,653</u>	<u>\$ 154,010</u>

For the year ended September 30, 2017, the Town recognized OPEB expense of \$23,763.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Town leases a sweeper under a noncancelable operating lease. Total cost for the lease was \$81,821 for the year ended September 30, 2017. The future minimum lease payments for the lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 81,821
2019	20,455
Total	<u>\$ 102,276</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, 2017**

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The plaintiff in James J. Jamieson v. Town of Fort Myers Beach, Florida, case number 17-CA-198, Circuit Court for the 20th Judicial Circuit, Lee County, Florida, filed a multi-count complaint in January of 2017 against the Town alleging various claims for a “taking” of his property through adoption of land use regulations that prevented him from developing approximately seven acres of land which consists of 40 platted lots. He claims losses from approximately \$3.7 million to \$11 million due to: (1) regulatory taking or inverse condemnation; (2) partial regulatory taking or inverse condemnation; (3) Bert Harris claim pursuant to Fla. Stat. Section 70.001; (4) inverse condemnation by physical taking; (5) declaratory judgment; and (6) trespass. The plaintiff voluntarily dismissed counts four through six, and the trial court entered summary judgment in favor of the Town on count one. Discovery is continuing on the remaining counts. The Town denies all liability and intends to vigorously defend the case based upon various land use principles.

On December 1, 2016, the Town entered an agreement for three years, with two 1-year renewal options, with Estero Bay Hotel Company, dba: 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 monthly payments of an amount equal to 55% of the previous month’s net revenue. Amounts paid pursuant to this agreement for fiscal year ended September 30, 2017 were \$94,599.

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. The related projects are multi-year projects and ongoing as of September 30, 2017. Open contracts with these vendors are as follows:

Contract Number	Contract Description	Contract Amount	Amount Paid Through September 30, 2017
Tetra Tech:			
STA 13	Phase 2 Water and Stormwater	\$ 546,501	\$ 213,485
STA15	Phase 2-4 Water	1,960,476	751,501
STA19	Phase 2 Outfalls	465,237	31,914
STA20	Remaining Side Streets Water	878,735	-
STA21	Remaining Side Streets Stormwater	393,578	-
Mitchell & Stark:			
STA 6	Section I Estero Blvd	\$ 4,496,592	\$ 4,197,975
STA 7	Section II Estero Blvd	5,893,756	2,874,084

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, Florida. The Bulk Water Agreement is for 25 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 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year ended September 30, 2017, the Town adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This pronouncement requires the restatement of the September 30, 2016 net position as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water Fund</u>
Net Position, September 30, 2016, as Previously Reported	\$ 31,300,606	\$ 9,265,740	\$ 9,265,740
Cumulative Affect of Application of GASB 75	<u>(40,063)</u>	<u>(830)</u>	<u>(830)</u>
Net Position, September 30, 2016, as Restated	<u>\$ 31,260,543</u>	<u>\$ 9,264,910</u>	<u>\$ 9,264,910</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**TOWN OF FORT MYERS BEACH, FLORIDA
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
SEPTEMBER 30, 2017**

Service cost	\$	21,172
Interest		2,777
Benefit payments		<u>(187)</u>
Net change in total OPEB liability		23,762
Total OPEB liability beginning		<u>102,891</u>
Total OPEB liability ending	\$	<u><u>126,653</u></u>
Covered payroll	\$	<u><u>2,152,467</u></u>
OPEB liability as a percentage of covered payroll		5.88%

The Town implemented GASB Statements Nos. 74 and 75 in fiscal year 2017.

The above table will be expanded to 10 years of information as the information becomes available.

SUPPLEMENTAL FINANCIAL INFORMATION

**TOWN OF FORT MYERS BEACH, FLORIDA
 COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2017**

	<u>Road Impact Fee</u>	<u>Park Impact Fee</u>	<u>Totals</u>
ASSETS			
Cash	\$ 890,264	\$ 114,882	\$ 1,005,146
Total assets	<u>\$ 890,264</u>	<u>\$ 114,882</u>	<u>\$ 1,005,146</u>
FUND BALANCES			
Restricted:			
Parks and recreation	\$ -	\$ 114,882	\$ 114,882
Transportation	<u>890,264</u>	<u>-</u>	<u>890,264</u>
Total fund balances	<u>890,264</u>	<u>114,882</u>	<u>1,005,146</u>
Total liabilities and fund balances	<u>\$ 890,264</u>	<u>\$ 114,882</u>	<u>\$ 1,005,146</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, 2017**

	<u>Road Impact Fee</u>	<u>Park Impact Fee</u>	<u>Totals</u>
REVENUES			
Miscellaneous:			
Special assessments/Impact fees	\$ 35,752	\$ 9,356	\$ 45,108
Total revenues	<u>35,752</u>	<u>9,356</u>	<u>45,108</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	35,752	9,356	45,108
Fund balances - October 1, 2016	<u>854,512</u>	<u>105,526</u>	<u>960,038</u>
FUND BALANCES - SEPTEMBER 30, 2017	<u><u>\$ 890,264</u></u>	<u><u>\$ 114,882</u></u>	<u><u>\$ 1,005,146</u></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 (the Town) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 11, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses and is identified as 2017-002.

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
June 11, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM 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, 2017. 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the major federal program is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

The Town's response to the internal control over compliance findings identified in the accompanying schedule of findings and questioned costs was not subjected to the audit procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Fort Myers, Florida
June 11, 2018

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/ <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Federal or Pass-Through Contract Number	Passed Through to Subrecipients	Expenditures
Department of Housing and Urban Development				
Passed Through the Lee County, Florida				
Community Development Block Grants-Entitlement Grants	14.218	7659	\$ -	\$ 18,174
Total Department of Housing and Urban Development			-	18,174
Environmental Protection Agency				
Passed through the Florida Department of Environmental Protection				
Drinking Water State Revolving Fund	66.468	DW360800	-	3,886,932
Total Environmental Protection Agency Programs			-	3,886,932
Total Expenditures of Federal Awards			\$ -	\$ 3,905,106

See accompanying Notes to Schedule of Expenditures of Federal Awards

TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2017

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 (the Town) under programs of the federal government for the year ended September 30, 2017. 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, 2017**

Section I - Summary of Auditors' Results

Financial Statement Section

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

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified X 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)? X 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 X no

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
SEPTEMBER 30, 2017**

Section II - Financial Statement Findings

2017-002 Audit Adjustments

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria

Town management is responsible for establishing and maintaining internal controls for the proper recording of all the Town's transactions, including year-end accruals, interfund activity, deferred inflows of resources and capital asset activity.

Condition

As part of the audit, we proposed audit adjustments to revise the Town's financial statements at year-end. These adjustments involved the recording of accruals, interfund activity, deferred inflows of resources, and capital asset activity.

Cause

The Town experienced turnover in personnel in the Finance Department.

Effect

The design of the internal controls over recording the Town's transactions could affect the ability of the Town to detect or prevent a misappropriation of assets or fraudulent activity.

Recommendation

We recommend Town management be consistently aware of all procedures and processes for the timely and accurate posting of all transactions.

Views of Responsible Officials

Unfortunately the Town lost two-thirds of its accounting department at year-end causing a total negative impact on the timely operating process. New staff have been hired and with accruing knowledge, we do not expect this condition to occur again. In addition, the Town has acquired a new financial software system and is currently implementing it which should improve processes and controls.

2017-003 Consideration of Information Technology Controls

Criteria

Information technology systems are an integral component of the financial reporting system. Best practices should be employed with respect to the computer processing environments to help ensure the reliability of the business and financial systems that support business objectives during the current and future reporting periods.

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
SEPTEMBER 30, 2017**

Section II - Financial Statement Findings (Continued)

2017-003 Consideration of Information Technology Controls (Continued)

Condition

The following conditions represent opportunities to improve general controls over the information systems supporting the financial reporting system:

- The Town currently does not maintain a formal and ongoing risk assessment process as a basis for establishing and implementing appropriate administrative, technical, and physical controls to reduce or eliminate the impact internal and external threats to its information technology systems.
- Internal and external penetration testing is not being performed on a regular basis.

Cause

Threats continue to evolve and security measures need to be reassessed continually to address such threats and employ best practices.

Effect

Risk exposure is elevated when best practices are not employed with respect to general controls over the computer processing environment.

Recommendation

We recommend that the Town perform a formal risk assessment process over its information technology systems. We also recommend the Town engage a third party to perform internal and external penetration testing to identify any areas of technical weaknesses on a regular basis.

Views of Responsible Officials

As of October this past year, the Town went out for request for proposal for Information Technology Services and as a result, hired a new firm in late November. The new firm prepared an assessment of our entire system as well as inventorying all components and providing us a recommendation of what components needed upgrade and replacement. Management took those recommendations to the Council for approval and funding of the entire information technology system. We are currently implementing all components as well as replacing our old financial software system. After all upgrades are completed we will pursue internal and external penetration testing.

2017-004 Security for Public Deposits

Criteria

Section 280.17(6), Florida Statutes, requires each public depositor to submit an annual report to the Florida Chief Financial Officer by November 30 of each year.

Condition

The Public Depositor Annual Report was not submitted by the required date. The report ultimately filed by the Town was not the correct form and it did not include all public deposits of the Town.

Cause

The Town experienced turnover in personnel in the Finance Department.

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
SEPTEMBER 30, 2017**

Section II - Financial Statement Findings (Continued)

2017-004 Security for Public Deposits (Continued)

Effect

Section 280.18, Florida Statutes, provides protection from loss of public deposit accounts when a depositor is in compliance with section 280.17, Florida Statutes. If the annual report required is not submitted timely, the Town may be at risk of loss if the financial institution holding its deposits were to default due to insolvency.

Recommendation

We recommend management review the requirement of Chapter 280, Florida Statutes, and establish procedures to assure the timely filing of the correct annual report form.

Views of Responsible Officials

Procedures have been implemented to insure timeliness and accuracy of reporting of the State banking forms.

Section III - Findings and Questioned Costs – Major Federal Programs

2017-001 Special Tests and Provisions

*Environmental Protection Agency
Passed through the Florida Department of Environmental Protection
CFDA 66.468, Drinking Water State Revolving Fund*

Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria

The Town must ensure that contractors and subcontractors working on construction projects funded with Federal financial assistance pay appropriate wages (prevailing wage) and comply with the provisions of 29 CFR 5.

Condition

There was one construction contract under this grant whereby the above provisions apply.

Context

The auditor obtained certified payrolls as prepared by the Contractor to test compliance with the prevailing wage rate special provision. The Town appeared to be obtaining certified payrolls; however, they could not provide documentation of tracking and performing procedures such as timely interviews and spot checks, as required by the grant agreement.

Questioned Costs

Unknown

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
SEPTEMBER 30, 2017**

Section III - Findings and Questioned Costs – Major Federal Programs (Continued)

Cause

The individual responsible for tracking and performing the required procedures terminated employment with the Town during the fiscal year and the grant related duties were not assigned to other knowledgeable personnel within a timely period.

Effect

The lack of internal controls over this compliance requirement provides the opportunity for noncompliance under the prevailing wage rate clause.

Repeat Finding

No

Recommendation

We recommend the Town reassign these duties to the appropriate personnel to ensure that the Town is able to comply with these grant requirements.

Views of Responsible Officials

The Town has contracted with an independent contractor to administer, track, and perform all the requirements of the Davis Bacon and Iron and Steel workers act. The contractor was hired October of 2017 and will continue until the Water and Storm Water capital projects are completed.

Section IV - Prior Year Findings

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 (the Town), as of and for the fiscal year ended September 30, 2017 and have issued our report thereon dated June 11, 2018.

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 Reporting Requirements

We have issued our Independent Auditors' 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 Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 11, 2018, 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. Corrective actions have been taken to address findings and recommendations made in the preceding 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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify 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 for the Town. 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Our current year recommendations are included in the Schedule of Findings and Questioned Costs and are identified as 2017-003 and 2017-004.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to 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, 2017, 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, 2017. 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, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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. The Town does not have any special district component units.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 Town 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
June 11, 2018



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined Town of Fort Myers Beach, Florida's (the Town) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017.

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
June 11, 2018