

**TOWN OF FORT MYERS BEACH, FLORIDA**

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY REPORTS**

**YEAR ENDED SEPTEMBER 30, 2018**

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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, 2018, and the related notes to the financial statements, 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 as of September 30, 2018, 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 Building Fund, and the Beach Access Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and the other postemployment benefits plan schedule of changes in total OPEB liability on pages 4 to 11 and 53 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'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 and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, *Local Governmental Entity Audits*, Rules of the Auditor General of the State of Florida, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the Town's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
June 27, 2019

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2018**

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, 2018.

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, 2018, the assets and deferred outflows of resources of the Town of Fort Myers Beach, Florida exceeded its liabilities and deferred inflows of resources by \$47,303,311 (net position). Of this amount, \$6,139,488 of unrestricted net position may be used to meet the Town's ongoing obligations.
- The Town's total net position increased by \$3,375,784.
- The Town of Fort Myers Beach, Florida's governmental funds reported combined ending fund balances of \$5,543,994 as of September 30, 2018. This is a decrease of \$414,047 over the September 30, 2017 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 2018 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, 2018**

**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 27.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE STATEMENTS**

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

**Summary of Net Position**

The following table reflects a summary of Net Position for the fiscal years September 30, 2018 and 2017:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 6,940,174	\$ 6,417,765	\$ 4,289,582	\$ 5,179,268	\$ 11,229,756	\$ 11,597,033
Capital Assets	23,835,506	23,714,782	29,073,061	20,538,754	52,908,567	44,253,536
Total Assets	<u>30,775,680</u>	<u>30,132,547</u>	<u>33,362,643</u>	<u>25,718,022</u>	<u>64,138,323</u>	<u>55,850,569</u>
Deferred Outflows of Financial Resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current and Other Liabilities	\$ 902,482	\$ 379,843	\$ 4,601,027	\$ 2,665,010	\$ 5,503,509	\$ 3,044,853
Noncurrent Liabilities	323,865	380,804	10,983,490	8,497,385	11,307,355	8,878,189
Total Liabilities	<u>1,226,347</u>	<u>760,647</u>	<u>15,584,517</u>	<u>11,162,395</u>	<u>16,810,864</u>	<u>11,923,042</u>
Deferred Inflows of Financial Resources	\$ 21,762	\$ -	\$ 2,386	\$ -	\$ 24,148	\$ -
Net Investment in Capital Assets	\$ 23,835,506	\$ 23,714,782	\$ 15,299,515	\$ 10,903,857	\$ 39,135,021	\$ 34,618,639
Restricted	2,028,802	2,317,377	-	-	2,028,802	2,317,377
Unrestricted	3,663,263	3,339,741	2,476,225	3,651,770	6,139,488	6,991,511
Total Net Position	<u>\$ 29,527,571</u>	<u>\$ 29,371,900</u>	<u>\$ 17,775,740</u>	<u>\$ 14,555,627</u>	<u>\$ 47,303,311</u>	<u>\$ 43,927,527</u>

- For governmental activities net position, \$23,835,506, or 80.7%, 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 \$323,522, or 9.7%, over 2017. Unrestricted net position accounts for 12.4% 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 \$2,028,802, or 6.9% 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, 2018**

**Summary of Changes in Net Position**

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 2,399,002	\$ 2,246,554	\$ 5,932,456	\$ 5,718,445	\$ 8,331,458	\$ 7,964,999
Operating Grants and Contributions	1,376,448	947,638	-	-	1,376,448	947,638
Capital Grants And Contributions	57,676	94,183	-	-	57,676	94,183
General Revenues:						
Property Taxes	2,786,668	2,406,645	-	-	2,786,668	2,406,645
Utility Taxes	955,057	915,293	-	-	955,057	915,293
Gas Taxes	427,119	419,678	-	-	427,119	419,678
Communications Taxes	541,685	539,376	-	-	541,685	539,376
Business Taxes	7,159	6,170	-	-	7,159	6,170
Franchise Fees	93,994	89,780	-	-	93,994	89,780
Intergovernmental, Unrestricted	814,364	760,454	-	-	814,364	760,454
Investment Earnings	10,510	6,839	255	118	10,765	6,957
Miscellaneous	71,356	46,452	96,049	-	167,405	46,452
<b>Total Revenues</b>	<b>9,541,038</b>	<b>8,479,062</b>	<b>6,028,760</b>	<b>5,718,563</b>	<b>15,569,798</b>	<b>14,197,625</b>
<b>Expenses:</b>						
Program Expenses:						
Governmental Activities:						
General Government	4,014,232	4,035,479	-	-	4,014,232	4,035,479
Public Safety	601,019	97,876	-	-	601,019	97,876
Physical Environment	238,919	118,244	-	-	238,919	118,244
Transportation	1,414,856	1,508,590	-	-	1,414,856	1,508,590
Culture/Recreation	2,524,162	1,727,452	-	-	2,524,162	1,727,452
Business-Type Activities:						
Water Utility	-	-	3,299,086	3,074,289	3,299,086	3,074,289
Stormwater	-	-	350,824	233,621	350,824	233,621
<b>Total Expenses</b>	<b>8,793,188</b>	<b>7,487,641</b>	<b>3,649,910</b>	<b>3,307,910</b>	<b>12,443,098</b>	<b>10,795,551</b>
Change in Net Position Before Transfers	747,850	991,421	2,378,850	2,410,653	3,126,700	3,402,074
Transfers	(592,179)	(2,880,064)	592,179	2,880,064	-	-
Change in Net Position	155,671	(1,888,643)	2,971,029	5,290,717	3,126,700	3,402,074
Net Position - Beginning of Year	29,371,900	31,260,543	14,555,627	9,264,910	43,927,527	40,525,453
<b>Net Position - End of Year</b>	<b>\$ 29,527,571</b>	<b>\$ 29,371,900</b>	<b>\$ 17,526,656</b>	<b>\$ 14,555,627</b>	<b>\$ 47,054,227</b>	<b>\$ 43,927,527</b>

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2018**

Total revenues increased by \$1,621,257, or 11.4% in comparison to the prior year. The majority of the increase is due to a water rate increase of 7%, property value increase, and grants and contributions. All other revenue sources are consistent and within expected ranges.

Total expenses increased by \$1,647,547 or 15.3% in comparison to the prior year. The majority of the increase is from cultural and recreation, public safety and bulk water purchases.

**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.

	Total Cost of Services		Net Cost (Earnings) of Services	
	2018	2017	2018	2017
General Government	\$ 4,014,232	\$ 4,035,479	\$ 3,334,748	\$ 3,292,065
Public Safety	601,019	97,876	601,019	91,876
Physical Environment	238,919	118,244	194,621	118,244
Transportation	1,414,856	1,508,590	(38,898)	179,285
Economic Environment	-	-	(4,996)	-
Culture/Recreation	2,524,162	1,727,452	873,568	517,796
Totals	<u>\$ 8,793,188</u>	<u>\$ 7,487,641</u>	<u>\$ 4,960,062</u>	<u>\$ 4,199,266</u>

The cost of all governmental activities this fiscal year was \$8.8 million as comparable to \$7.5 million for fiscal year 2017. As shown in the statement of activities (page 13), the net (Expense) from governmental activities was \$5.0 million for 2018 compared to a net cost of \$4.2 million for 2017. Revenues contributing to earnings from governmental activities consisted of:

- \$2,399,002 in charges for services of which there was approximately \$622,000 in revenue from permits and zoning fees, approximately \$1,132,000 from parking facilities revenues, approximately \$168,000 for harborage usage fees, and approximately \$248,000 from parks and recreation fees with the remainder from various fees for general government service.
- \$1,376,448 in operating grants and contributions. This balance is primarily comprised of operating grants from the Tourist Development Council for beach access maintenance.
- \$57,676 in capital grants and contributions, which is mainly comprised of Road and Park Impact fees collected internally by the building department.

**Business-type Activities**

Revenues of the Town's business-type activities totaled \$6,277,844 and \$5,718,563 for 2018 and 2017, respectively. Operating expenses totaled \$3,649,910 and \$3,307,910 for 2018 and 2017, respectively. The increase in net position was \$3,220,113 and \$5,290,717 for 2018 and 2017, respectively. Revenue and net position increases are primarily due to the Town Council approval of a 7% water rate increase and a \$250,000 transfer from the Gas Tax Fund to fund a portion of the side street storm water project. The majority of the operating expense increase from FY2017 to FY2018 was due to an increase in Bulk Water usage from Lee County.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2018**

**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, special revenue funds, and a capital projects fund. 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 \$1,886,352. During the current fiscal year, the fund balance of the Town's General Fund decreased by \$874,539. The reduction in fund balance was a result of a transfer from the General Fund to the Capital Projects Fund for additions to the capital program.

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 \$956,274, all of which is restricted to road improvements and transportation related items. This fund balance increased by \$29,891 in FY 2018.

The *Building Fund* is used to account for Town-administered building permits and plans review. In prior years, these functions were contracted out to Lee County.

The *Beach Access Fund* is used to account for the expenses incurred to maintain the Town's beaches and record the reimbursement received from Lee County, per a local agreement with Lee County Tourist Development Council.

The *Capital Projects Fund* is maintained by transfers from the General Fund and other special revenue funds. Capital outlay of \$756,830 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 \$200,000 increase in budgeted revenue in the General Fund between the original and final amended budget. The increase of \$200,000 was for Lee County Permit revenue expected to be collected by the Town.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2018**

**BUDGETARY HIGHLIGHTS (CONTINUED)**

Revenue budget-to-actual in the General Fund resulted in a \$125,585, or 1.7%, positive revenue variance. The positive revenue variance was due to a new short-term rental program and a payoff of an overpayment received from FPL from prior years.

The original budget for general government expenditures was increased by \$150,000 primarily due to expected permit payments to Lee County. Budget-to-actual expenditures in the General Fund show a \$94,292 positive variance (actual less than final budget). This difference is primarily attributable to an unused contingency budget. A more detailed analysis of the General Fund budget comparison can be found in the basic financial statements section.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 10,536,780	\$ 10,536,780	\$ 305,000	\$ 305,000	\$ 10,841,780	\$ 10,841,780
Buildings and Leasehold Improvements	6,837,494	6,679,504	662,823	714,556	7,500,317	7,394,060
Improvements Other Than Building	1,501,717	1,602,966	-	-	1,501,717	1,602,966
Office Furniture and Equipment	348,715	248,500	51	671	348,766	249,171
Vehicles and Other Equipment	751,933	720,849	120,429	106,642	872,362	827,491
Infrastructure	3,858,867	3,888,649	13,547,171	13,624,273	17,406,038	17,512,922
Construction in Progress	-	37,533	14,437,587	5,787,612	14,437,587	5,825,145
<b>Total Capital Assets</b>	<b>\$ 23,835,506</b>	<b>\$ 23,714,781</b>	<b>\$ 29,073,061</b>	<b>\$ 20,538,754</b>	<b>\$ 52,908,567</b>	<b>\$ 44,253,535</b>

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, 2018 and 2017, the Town had \$11,621,062 and \$8,465,898, respectively, in long-term debt. The following table provides a breakdown:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Refunding Bond Payable	\$ -	\$ -	\$ 1,080,000	\$ 1,260,000	\$ 1,080,000	\$ 1,260,000
State Revolving Fund Loan	-	-	10,541,062	7,205,898	10,541,062	7,205,898
<b>Total Debt</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,621,062</b>	<b>\$ 8,465,898</b>	<b>\$ 11,621,062</b>	<b>\$ 8,465,898</b>

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, 2018**

**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 2018-2019 fiscal year:

- The Town established a new short term rental program. The Town continued 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. In addition, the Town established a new Building Service Fund that will recognize Building Permit and Plans Review revenue and all other revenue specific to Building operation and account for the expenditures funded from the revenues collected.
  
- 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, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,632,959	\$ 1,107,052	\$ 4,740,011
Investments	1,820,804	-	1,820,804
Due from Other Governments	1,221,940	1,403,910	2,625,850
Accounts Receivable, Net	91,404	1,270,842	1,362,246
Prepaid Expenses	173,067	20,389	193,456
Restricted Cash and Investments	-	487,389	487,389
Capital Assets (Net of Accumulated Depreciation):			
Land	10,536,780	305,000	10,841,780
Buildings and Leasehold Improvements	6,837,494	662,823	7,500,317
Improvements Other than Buildings	1,501,717	-	1,501,717
Office Furniture and Equipment	348,715	51	348,766
Vehicles and Other Equipment	751,933	120,429	872,362
Infrastructure	3,858,867	13,547,171	17,406,038
Construction in Progress	-	14,437,587	14,437,587
Total Assets	<u>30,775,680</u>	<u>33,362,643</u>	<u>64,138,323</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Accrued Liabilities	813,015	1,929,196	2,742,211
Accrued Interest Payable	-	9,774	9,774
Retainage Payable	-	500,497	500,497
Due to Other Governments	-	1,217,740	1,217,740
Unearned Revenue	89,467	-	89,467
Liabilities Payable from Restricted Assets:			
Customer Deposits	-	272,550	272,550
Compensated Absences:			
Expected to be Paid After One Year	208,990	21,104	230,094
Bonds and Notes Payable:			
Expected to be Paid in One Year	-	671,270	671,270
Expected to be Paid After One Year	-	10,949,792	10,949,792
Total OPEB Liability	114,875	12,594	127,469
Total Liabilities	<u>1,226,347</u>	<u>15,584,517</u>	<u>16,810,864</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount Related to OPEB	21,762	2,386	24,148
Total Deferred Inflows of Resources	<u>21,762</u>	<u>2,386</u>	<u>24,148</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	23,835,506	15,299,515	39,135,021
Restricted for:			
Parks and Recreation	125,613	-	125,613
Transportation	1,867,981	-	1,867,981
Building Permits and Operations	35,208	-	35,208
Unrestricted	3,663,263	2,476,225	6,139,488
Total Net Position	<u>\$ 29,527,571</u>	<u>\$ 17,775,740</u>	<u>\$ 47,303,311</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2018**

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		Total
					Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT</b>							
Governmental Activities:							
General Government	\$ 4,014,232	\$ 679,484	\$ -	\$ -	\$ (3,334,748)	\$ -	\$ (3,334,748)
Public Safety	601,019	-	-	-	(601,019)	-	(601,019)
Physical Environment	238,919	44,298	-	-	(194,621)	-	(194,621)
Transportation	1,414,856	1,422,692	9,117	21,945	38,898	-	38,898
Economic Environment	-	4,996	-	-	4,996	-	4,996
Culture/Recreation	2,524,162	247,532	1,367,331	35,731	(873,568)	-	(873,568)
Total Governmental Activities	<u>8,793,188</u>	<u>2,399,002</u>	<u>1,376,448</u>	<u>57,676</u>	<u>(4,960,062)</u>	<u>-</u>	<u>(4,960,062)</u>
Business-Type Activities:							
Water	3,299,086	4,820,634	-	-	-	1,521,548	1,521,548
Stormwater	350,824	1,111,822	-	249,084	-	1,010,082	1,010,082
Total Business-Type Activities	<u>3,649,910</u>	<u>5,932,456</u>	<u>-</u>	<u>249,084</u>	<u>-</u>	<u>2,531,630</u>	<u>2,531,630</u>
Total Primary Government	<u>\$ 12,443,098</u>	<u>\$ 8,331,458</u>	<u>\$ 1,376,448</u>	<u>\$ 306,760</u>	<u>(4,960,062)</u>	<u>2,531,630</u>	<u>(2,428,432)</u>
<b>GENERAL REVENUES</b>							
Property Taxes, Levied for General Purposes					2,786,668	-	2,786,668
Utility Taxes					955,057	-	955,057
Gas Taxes					427,119	-	427,119
Communications Taxes					541,685	-	541,685
Business Taxes					7,159	-	7,159
Franchise Fees					93,994	-	93,994
Intergovernmental Revenues, Not Restricted to Specific Programs					814,364	-	814,364
Investment Earnings					10,510	255	10,765
Miscellaneous					71,356	96,049	167,405
Transfers					(592,179)	592,179	-
Total General Revenues					<u>5,115,733</u>	<u>688,483</u>	<u>5,804,216</u>
<b>CHANGE IN NET POSITION</b>					155,671	3,220,113	3,375,784
Net Position - Beginning of Year					<u>29,371,900</u>	<u>14,555,627</u>	<u>43,927,527</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 29,527,571</u>	<u>\$ 17,775,740</u>	<u>\$ 47,303,311</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	General	Gas Tax	Building	Beach Access	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents - Unrestricted	\$ 1,175,633	\$ 548,118	\$ 107,748	\$ 2,245	\$ 761,393	\$ 1,037,822	\$ 3,632,959
Investments	1,469,225	351,579	-	-	-	-	1,820,804
Accounts Receivable	91,404	-	-	-	-	-	91,404
Prepaid Expenses	170,028	502	2,537	-	-	-	173,067
Due from Other Funds	679,555	-	-	-	-	-	679,555
Due from Other Governments	515,584	67,911	-	638,445	-	-	1,221,940
	<u>\$ 4,101,429</u>	<u>\$ 968,110</u>	<u>\$ 110,285</u>	<u>\$ 640,690</u>	<u>\$ 761,393</u>	<u>\$ 1,037,822</u>	<u>\$ 7,619,729</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)</b>							
<b>LIABILITIES</b>							
Account Payable and Accrued Liabilities	\$ 501,114	\$ 11,836	\$ 75,077	\$ 57,257	\$ 167,731	\$ -	\$ 813,015
Due to Other Funds	-	-	-	679,555	-	-	679,555
Unearned Revenue	89,467	-	-	-	-	-	89,467
Total Liabilities	<u>590,581</u>	<u>11,836</u>	<u>75,077</u>	<u>736,812</u>	<u>167,731</u>	<u>-</u>	<u>1,582,037</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Amount Related to Unavailable Revenue	<u>365,380</u>	<u>-</u>	<u>-</u>	<u>128,318</u>	<u>-</u>	<u>-</u>	<u>493,698</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)**  
**SEPTEMBER 30, 2018**

	<u>General</u>	<u>Gas Tax</u>	<u>Building</u>	<u>Beach Access</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCE (DEFICIT)</b>							
Nonspendable:							
Prepaid Items	\$ 170,028	\$ 502	\$ 2,537	\$ -	\$ -	\$ -	\$ 173,067
Restricted:							
Parks and Recreation	-	-	-	-	-	125,613	125,613
Transportation	-	955,772	-	-	-	912,209	1,867,981
Building Permits/Operations	-	-	35,208	-	-	-	35,208
Committed:							
Beach Renourishment	100,000	-	-	-	-	-	100,000
Capital Projects	-	-	-	-	593,662	-	593,662
Emergency	300,088	-	-	-	-	-	300,088
Compensated Absences	94,000	-	-	-	-	-	94,000
Assigned:							
Emergency	595,000	-	-	-	-	-	595,000
Unassigned	1,886,352	-	(2,537)	(224,440)	-	-	1,659,375
Total Fund Balance (Deficit)	<u>3,145,468</u>	<u>956,274</u>	<u>35,208</u>	<u>(224,440)</u>	<u>593,662</u>	<u>1,037,822</u>	<u>5,543,994</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	 <u>\$ 4,101,429</u>	 <u>\$ 968,110</u>	 <u>\$ 110,285</u>	 <u>\$ 640,690</u>	 <u>\$ 761,393</u>	 <u>\$ 1,037,822</u>	 <u>\$ 7,619,729</u>

**TOWN OF FORT MYERS BEACH, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

Fund Balance Totals		\$ 5,543,994
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Capital Assets	\$ 29,373,069	
Less: Accumulated Depreciation	<u>(5,537,563)</u>	23,835,506
<p>Certain deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		
		493,698
<p>Certain deferred inflows of resources are reported as a result of changes in deferred amounts related to OPEB and, therefore, are not reported in the funds.</p>		
		(21,762)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated Absences	(208,990)	
Other Postemployment Benefits	<u>(114,875)</u>	<u>(323,865)</u>
Net Position of Governmental Activities		<u>\$ 29,527,571</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2018**

	General	Gas Tax	Building	Beach Access	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes:							
Property	\$ 2,786,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,786,668
Gas	-	427,119	-	-	-	-	427,119
Franchise	969,592	-	-	-	-	-	969,592
Communications Services	541,685	-	-	-	-	-	541,685
Local Business	7,159	-	-	-	-	-	7,159
Licenses and Permits	340,203	-	281,935	-	-	-	622,138
Intergovernmental Revenues	895,026	-	-	822,641	-	-	1,717,667
Charges for Services	1,766,382	-	-	-	-	-	1,766,382
Fines and Forfeitures	10,482	-	-	-	-	-	10,482
Special Assessments/Impact Fees	-	-	-	-	-	32,676	32,676
Investment Earnings (Loss)	12,674	(2,164)	-	-	-	-	10,510
Other	157,834	-	-	-	-	-	157,834
Total Revenues	<u>7,487,705</u>	<u>424,955</u>	<u>281,935</u>	<u>822,641</u>	<u>-</u>	<u>32,676</u>	<u>9,049,912</u>
<b>EXPENDITURES</b>							
Current:							
General Government	2,768,844	-	246,727	-	4,021	-	3,019,592
Public Safety	603,020	-	-	-	-	-	603,020
Transportation	1,384,983	245,064	-	-	-	-	1,630,047
Culture/Recreation	1,781,004	-	-	714,898	-	-	2,495,902
Capital Outlay:	68,977	-	-	297,412	756,830	-	1,123,219
Total Expenditures	<u>6,606,828</u>	<u>245,064</u>	<u>246,727</u>	<u>1,012,310</u>	<u>760,851</u>	<u>-</u>	<u>8,871,780</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>880,877</u>	<u>179,891</u>	<u>35,208</u>	<u>(189,669)</u>	<u>(760,851)</u>	<u>32,676</u>	<u>178,132</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfer In	12,821	100,000	-	-	1,313,237	-	1,426,058
Operating Transfers Out	(1,768,237)	(250,000)	-	-	-	-	(2,018,237)
Total Other Financing Sources (Uses)	<u>(1,755,416)</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>1,313,237</u>	<u>-</u>	<u>(592,179)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(874,539)	29,891	35,208	(189,669)	552,386	32,676	(414,047)
Fund Balances - October 1, 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>
<b>FUND BALANCES - SEPTEMBER 30, 2018</b>	<u>\$ 3,145,468</u>	<u>\$ 956,274</u>	<u>\$ 35,208</u>	<u>\$ (224,440)</u>	<u>\$ 593,662</u>	<u>\$ 1,037,822</u>	<u>\$ 5,543,994</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, 2018**

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

Net Change in Fund Balances - Total Governmental Funds	\$	(414,047)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital Outlay	\$ 1,123,219	
Depreciation	<u>(978,150)</u>	145,069
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.</p>		
		(24,345)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		413,817
<p>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.</p>		
Change in Compensated Absences	(51,968)	
Change in Claims and Judgements Payable	<u>101,654</u>	49,686
<p>Net change in the total OPEB liability and related deferred amounts is reported in the government-wide statements, but not in the governmental fund statements.</p>		
		<u>(14,509)</u>
Change in Net Position of Governmental Activities	<u>\$</u>	<u>155,671</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 – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property Taxes	\$ 2,776,845	\$ 2,776,845	\$ 2,786,668	\$ 9,823
Franchise Taxes	775,500	775,500	969,592	194,092
Communications Services Tax	535,000	535,000	541,685	6,685
Local Business	7,300	7,300	7,159	(141)
Licenses and Permits	276,000	478,000	340,203	(137,797)
Intergovernmental Revenues	797,935	797,935	895,026	97,091
Charges for Services	1,948,270	1,946,270	1,766,382	(179,888)
Fines and Forfeitures	-	-	10,482	10,482
Miscellaneous:				
Investment Earnings	10,550	10,550	12,674	2,124
Other	34,720	34,720	157,834	123,114
Total Revenues	<u>7,162,120</u>	<u>7,362,120</u>	<u>7,487,705</u>	<u>125,585</u>
<b>EXPENDITURES</b>				
Current:				
General Government	3,085,615	3,235,615	2,768,844	466,771
Public Safety	179,595	179,595	603,020	(423,425)
Transportation	1,697,665	1,697,665	1,384,983	312,682
Culture/Recreation	1,581,995	1,581,995	1,781,004	(199,009)
Capital Outlay	6,250	6,250	68,977	(62,727)
Total Expenditures	<u>6,551,120</u>	<u>6,701,120</u>	<u>6,606,828</u>	<u>94,292</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>611,000</u>	<u>661,000</u>	<u>880,877</u>	<u>219,877</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	163,000	163,000	12,821	(150,179)
Operating Transfers Out	<u>(1,160,025)</u>	<u>(1,768,237)</u>	<u>(1,768,237)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(997,025)</u>	<u>(1,605,237)</u>	<u>(1,755,416)</u>	<u>(150,179)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (386,025)</u>	<u>\$ (944,237)</u>	<u>\$ (874,539)</u>	<u>\$ 69,698</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, 2018**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Gas Taxes	\$ 400,000	\$ 400,000	\$ 427,119	\$ 27,119
Intergovernmental	51,530	51,530	-	(51,530)
Miscellaneous:				
Investment Earnings (Loss)	20,000	20,000	(2,164)	(22,164)
Total Revenues	<u>471,530</u>	<u>471,530</u>	<u>424,955</u>	<u>(46,575)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	321,530	321,530	245,064	76,466
Total Expenditures	<u>321,530</u>	<u>321,530</u>	<u>245,064</u>	<u>76,466</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>150,000</u>	<u>150,000</u>	<u>179,891</u>	<u>29,891</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	100,000	100,000	100,000	-
Operating Transfers Out	(250,000)	(250,000)	(250,000)	-
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,891</u>	<u>\$ 29,891</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 – BUILDING FUND**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and Permits	\$ -	\$ 254,110	\$ 281,935	\$ 27,825
Total Revenues	<u>-</u>	<u>254,110</u>	<u>281,935</u>	<u>27,825</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	254,110	246,727	7,383
Total Expenditures	<u>-</u>	<u>254,110</u>	<u>246,727</u>	<u>7,383</u>
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>35,208</u>	<u>35,208</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,208</u>	<u>\$ 35,208</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, 2018**

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 1,040,230	\$ 1,040,230	\$ 822,641	\$ (217,589)
Total Revenues	<u>1,040,230</u>	<u>1,040,230</u>	<u>822,641</u>	<u>(217,589)</u>
<b>EXPENDITURES</b>				
Current:				
Culture/Recreation	1,028,730	1,028,730	714,898	313,832
Capital Outlay	11,500	11,500	297,412	(285,912)
Total Expenditures	<u>1,040,230</u>	<u>1,040,230</u>	<u>1,012,310</u>	<u>27,920</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(189,669)</u>	<u>(189,669)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (189,669)</u>	<u>\$ (189,669)</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2018**

	Water Fund	Stormwater Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 908,391	\$ 198,661	\$ 1,107,052
Accounts Receivable, Net	1,169,219	101,623	1,270,842
Due from Other Funds	49,009	-	49,009
Due from Other Governments	1,154,826	249,084	1,403,910
Prepaid Items	20,389	-	20,389
Total Current Assets	<u>3,301,834</u>	<u>549,368</u>	<u>3,851,202</u>
<b>NONCURRENT ASSETS</b>			
Restricted Cash	487,389	-	487,389
Capital Assets, Net	20,974,892	8,098,169	29,073,061
Total Noncurrent Assets	<u>21,462,281</u>	<u>8,098,169</u>	<u>29,560,450</u>
Total Assets	<u>24,764,115</u>	<u>8,647,537</u>	<u>33,411,652</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Payable from Current Assets:			
Current Portion of Note Payable	671,270	-	671,270
Accrued Interest Payable	9,774	-	9,774
Accounts Payable and Accrued Liabilities	923,358	1,005,838	1,929,196
Retainage Payable	454,413	46,084	500,497
Due to Other Governments	1,217,740	-	1,217,740
Due to Other Funds	-	49,009	49,009
Total Payable from Current Assets	<u>3,276,555</u>	<u>1,100,931</u>	<u>4,377,486</u>
Payable from Restricted Assets:			
Customer Deposits	272,550	-	272,550
Total Current Liabilities	<u>3,549,105</u>	<u>1,100,931</u>	<u>4,650,036</u>
<b>LONG-TERM LIABILITIES:</b>			
Compensated Absences	21,104	-	21,104
Notes Payable	8,802,449	2,147,343	10,949,792
Other Postemployment Benefits Liability	12,594	-	12,594
Total Long-Term Liabilities	<u>8,836,147</u>	<u>2,147,343</u>	<u>10,983,490</u>
Total Liabilities	<u>12,385,252</u>	<u>3,248,274</u>	<u>15,633,526</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount Related to OPEB	2,386	-	2,386
<b>NET POSITION</b>			
Net Investment in Capital Assets	10,277,719	5,021,796	15,299,515
Unrestricted	2,098,758	377,467	2,476,225
Total Net Position	<u>\$ 12,376,477</u>	<u>\$ 5,399,263</u>	<u>\$ 17,775,740</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION – PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2018**

	Water Fund	Stormwater Fund	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 4,577,441	\$ 1,106,047	\$ 5,683,488
Other Revenue	243,193	5,775	248,968
Total Operating Revenues	<u>4,820,634</u>	<u>1,111,822</u>	<u>5,932,456</u>
<b>OPERATING EXPENSES</b>			
Bulk Water	1,822,287	-	1,822,287
Depreciation Expense	410,337	81,499	491,836
Repairs and Maintenance	150,774	61,159	211,933
Insurance	88,262	-	88,262
Salaries and Benefits	518,252	-	518,252
Utilities	46,438	-	46,438
Professional Services	35,000	-	35,000
Other Operating Supplies and Expenses	183,201	201,380	384,581
Office Expenses	24,987	6,786	31,773
Total Operating Expenses	<u>3,279,538</u>	<u>350,824</u>	<u>3,630,362</u>
<b>OPERATING INCOME</b>	<u>1,541,096</u>	<u>760,998</u>	<u>2,302,094</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest Income	255	-	255
Other Income (Expense)	96,049	-	96,049
Interest Expense	(19,548)	-	(19,548)
Loss on Disposal of Capital Assets	-	-	-
Total Nonoperating Expenses	<u>76,756</u>	<u>-</u>	<u>76,756</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>1,617,852</u>	<u>760,998</u>	<u>2,378,850</u>
Contributions	-	249,084	249,084
Transfers In	-	605,000	605,000
Transfers Out	(12,821)	-	(12,821)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(12,821)</u>	<u>854,084</u>	<u>841,263</u>
<b>CHANGE IN NET POSITION</b>	1,605,031	1,615,082	3,220,113
Total Net Position - Beginning of Year	<u>10,771,446</u>	<u>3,784,181</u>	<u>14,555,627</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 12,376,477</u>	<u>\$ 5,399,263</u>	<u>\$ 17,775,740</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Water Fund	Stormwater Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 4,670,667	\$ 761,115	\$ 5,431,782
Cash Paid to Suppliers and Others	(2,339,707)	(146,433)	(2,486,140)
Cash Paid to Employees	(513,655)	-	(513,655)
Net Cash Provided by Operating Activities	<u>1,817,305</u>	<u>614,682</u>	<u>2,431,987</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to Other Funds	(12,821)	-	(12,821)
Transfers from Other Funds	-	605,000	605,000
Other Receipts (Payments)	(128,263)	115,222	(13,041)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(141,084)</u>	<u>720,222</u>	<u>579,138</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal Paid on Note	(180,000)	-	(180,000)
Proceeds from Loan	1,187,821	2,147,343	3,335,164
Interest Paid on Note	(21,177)	-	(21,177)
Capital Contributions	-	249,084	249,084
Acquisition of Capital Assets	(3,802,942)	(4,239,716)	(8,042,658)
Net Cash Used by Capital and Related Financing Activities	<u>(2,816,298)</u>	<u>(1,843,289)</u>	<u>(4,659,587)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	255	-	255
<b>NET CHANGE IN CASH</b>	(1,139,822)	(508,385)	(1,648,207)
Cash and Cash Equivalents - Beginning of Year	2,535,602	707,046	3,242,648
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,395,780</u>	<u>\$ 198,661</u>	<u>\$ 1,594,441</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Cash and Cash Equivalents	\$ 908,391	\$ 198,661	\$ 1,107,052
Restricted Cash	487,389	-	487,389
Total Cash and Cash Equivalents	<u>\$ 1,395,780</u>	<u>\$ 198,661</u>	<u>\$ 1,594,441</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Purchases of Capital Assets on Account	<u>\$ 1,223,454</u>	<u>\$ 929,030</u>	<u>\$ 2,152,484</u>

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Water Fund	Stormwater Fund	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 1,541,096	\$ 760,998	\$ 2,302,094
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	410,337	81,499	491,836
Net (Increase) Decrease in:			
Accounts Receivables	(124,361)	(101,623)	(225,984)
Due from Other Governments	(250,733)	(249,084)	(499,817)
Prepaid Expenses	(19,959)	-	(19,959)
Net Increase (Decrease) in:			
Accounts Payable and Accrued Expenses	31,201	122,892	154,093
Due to Other Governments	217,140	-	217,140
Customer Refunds Payable	(402)	-	(402)
Customer Deposits	8,389	-	8,389
Compensated Absences	(5,858)	-	(5,858)
Other Postemployment Benefits Liability	8,069	-	8,069
Deferred Inflows of Resources Related to OPEB	2,386	-	2,386
Net Cash Provided by Operating Activities	\$ 1,817,305	\$ 614,682	\$ 2,431,987

See accompanying Notes to Financial Statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**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**

In evaluating the Town as a reporting entity, management considered all potential component units in accordance with applicable Governmental Accounting Standards Board Statements (GASBS). A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Management reviewed all of the financial accountability concepts and determined that there are no component units required to be included in the Town's financial statements.

**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, 2018**

**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, 2018**

**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 *Building Fund* is used to account for fund and other resources dedicated to community development.

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, 2018**

**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, 2018**

**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 necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost.

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, 2018**

**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, 2018, 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, 2018**

**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 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 to 40 Years
Leasehold Improvements	10 Years
Equipment	5 to 10 Years
Computer Equipment	3 to 10 Years
Furniture	3 to 10 Years
Vehicles and Rolling Stock	3 to 10 Years
Distribution Lines	20 to 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 Town has two types of deferred inflows of resources. The first 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. The second results from demographic gain and assumptions changes related to postemployment benefits. Both items are reported in the government-wide statement of net position and the proprietary funds' statement of net position in the Town's basic financial statements.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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 (\$224,440). The Town expects the deficit to be recovered from subsequent reimbursement requests from the Tourist Development Council.

**NOTE 4 CASH AND INVESTMENTS**

**Deposits**

*Custodial Credit Risk* – 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, 2018, the Town had the following investments:

Investment Type:	Percent of Portfolio	Fair Value
Florida Municipal Investment Trust (FMIT)	78.64 %	\$ 1,431,801
SBA Florida PRIME	21.36	389,003
Total		\$ 1,820,804

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+/S3 by Fitch Ratings as of September 30, 2018. 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

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

**Investments (Continued)**

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, 2018 was 4.3 years.

In accordance with GASBS No. 79, *Certain External Investment Pools and Pool Participants*, the Florida State Board of Administration's (SBA) Florida PRIME meets 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 GASBS No. 72, *Fair Value Measurement and Application*. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2018, was 33 days and the weighted average life (WAL) was 72 days. The Florida PRIME is rated by *Standard & Poor's*. The current rating is AAAM.

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

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

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

As of September 30, 2018, 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. Florida PRIME did not participate in a securities lending program in the period October 1, 2017 through September 30, 2018. Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

**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, 2018:

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

**NOTE 5 ACCOUNTS RECEIVABLE**

At September 30, 2018, accounts receivable consisted of the following:

	<u>Gross Accounts Receivable</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Accounts Receivable, Net</u>
<u>Government Activities</u>			
Special Assessments and Other Receivables	\$ 91,404	\$ -	\$ 91,404
<u>Business-Type Activities</u>			
Water	\$ 1,224,704	\$ (55,485)	\$ 1,169,219
Stormwater	101,623	-	101,623
Total	<u>\$ 1,326,327</u>	<u>\$ (55,485)</u>	<u>\$ 1,270,842</u>

**NOTE 6 RESTRICTED ASSETS**

Restricted assets represent funds restricted for the following purposes at September 30, 2018:

<u>Business-Type Activities</u>	
Customer Deposits	\$ 272,550
Water Main Improvement Project	214,839
Total	<u>\$ 487,389</u>

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

At September 30, 2018, the Town reported the following advances to/from other funds:

<u>Governmental Activities</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 679,555	\$ -
Beach Access Fund	-	679,555
Total	<u>\$ 679,555</u>	<u>\$ 679,555</u>
<u>Business-Type Activities</u>		
Water Fund	\$ 49,009	\$ -
Stormwater Fund	-	49,009
Total	<u>\$ 49,009</u>	<u>\$ 49,009</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, 2018, the Town reported the following interfund transfers:

<u>Governmental Activities</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 12,821	1,768,237
Gas Tax Fund	100,000	250,000
Capital Projects Fund	1,313,237	-
Total	<u>\$ 1,426,058</u>	<u>\$ 2,018,237</u>
<u>Business-Type Activities</u>		
Water Fund	\$ -	\$ 12,821
Stormwater Fund	605,000	-
Total	<u>\$ 605,000</u>	<u>\$ 12,821</u>

Transfers of resources from a fund to the fund through which resources are to be expended, are recorded as transfers and are reported as Other Financing Sources (Uses) in the governmental funds and as Transfers In (Out) in the proprietary funds.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 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	37,533	-	(37,533)	-
Total Capital Assets not Being Depreciated	<u>10,574,313</u>	<u>-</u>	<u>(37,533)</u>	<u>10,536,780</u>
Capital Assets Being Depreciated:				
Buildings and Leasehold Improvements	7,993,356	424,176	-	8,417,532
Improvements Other Than Building	1,930,468	63,513	-	1,993,981
Office Furniture and Equipment	850,292	184,146	-	1,034,438
Vehicles and Other Equipment	1,892,869	334,255	(125,378)	2,101,746
Infrastructure	5,133,929	154,663	-	5,288,592
Total Capital Assets Being Depreciated	<u>17,800,914</u>	<u>1,160,753</u>	<u>(125,378)</u>	<u>18,836,289</u>
Less: Accumulated Depreciation for:				
Buildings and Leasehold Improvements	1,313,852	266,186	-	1,580,038
Improvements Other than Building	327,502	164,762	-	492,264
Office Furniture and Equipment	601,792	83,931	-	685,723
Vehicles and Other Equipment	1,172,020	278,826	(101,033)	1,349,813
Infrastructure	1,245,280	184,445	-	1,429,725
Total Accumulated Depreciation	<u>4,660,446</u>	<u>978,150</u>	<u>(101,033)</u>	<u>5,537,563</u>
Total Capital Assets Being Depreciated, Net	<u>13,140,468</u>	<u>182,603</u>	<u>(24,345)</u>	<u>13,298,726</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 23,714,781</u>	<u>\$ 182,603</u>	<u>\$ (61,878)</u>	<u>\$ 23,835,506</u>

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 8 CAPITAL ASSETS (CONTINUED)**

<u>Business-Type 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	\$ 305,000	\$ -	\$ -	\$ 305,000
Construction in Progress	5,787,612	8,649,975	-	14,437,587
Total Capital Assets not Being Depreciated	<u>6,092,612</u>	<u>8,649,975</u>	<u>-</u>	<u>14,742,587</u>
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	77,810	49,436	-	127,246
Infrastructure	2,853,321	326,732	-	3,180,053
Total Capital Assets Being Depreciated	<u>18,261,758</u>	<u>376,168</u>	<u>-</u>	<u>18,637,926</u>
Less: Accumulated Depreciation for:				
Computer Equipment	62,304	620	-	62,924
South Booster Station	261,390	23,211	-	284,601
North Booster Station	161,794	28,522	-	190,316
North Estero	275,310	43,470	-	318,780
Distribution Lines	2,729,331	273,461	-	3,002,792
Seawall	31,521	5,404	-	36,925
Vehicles	31,951	13,851	-	45,802
Generators	94,568	80	-	94,648
Equipment	9,010	21,718	-	30,728
Infrastructure	158,437	81,499	-	239,936
Total Accumulated Depreciation	<u>3,815,616</u>	<u>491,836</u>	<u>-</u>	<u>4,307,452</u>
Total Capital Assets Being Depreciated, Net	<u>14,446,142</u>	<u>(115,668)</u>	<u>-</u>	<u>14,330,474</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 20,538,754</u>	<u>\$ 8,534,307</u>	<u>\$ -</u>	<u>\$ 29,073,061</u>

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 8 CAPITAL ASSETS (CONTINUED)**

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

<u>Governmental Activities</u>	
General Government	\$ 576,572
Transportation	4,629
Physical Environment	123,167
Culture and Recreation	273,782
Total Depreciation Expense, Governmental Activities	\$ 978,150
 <u>Business-Type Activities</u>	
Water	\$ 410,337
Stormwater	81,499
Total Depreciation Expense, Business-Type Activities	\$ 491,836

**NOTE 9 LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended September 30, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Compensated Absences	\$ 157,022	\$ 192,309	\$ (140,341)	\$ 208,990	\$ -
Claims and Judgements	101,654	-	(101,654)	-	-
Total	\$ 258,676	\$ 192,309	\$ (241,995)	\$ 208,990	\$ -
 <u>Business-Type Activities</u>					
Compensated Absences	\$ 26,962	\$ 28,642	\$ (34,500)	\$ 21,104	\$ -
Note Payable	1,260,000	-	(180,000)	1,080,000	180,000
State Revolving Fund Loans	7,205,898	3,335,164	-	10,541,062	491,270
Total	\$ 8,492,860	\$ 3,363,806	\$ (214,500)	\$ 11,642,166	\$ 671,270

**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 withheld a portion of the overpayment each month until fully recovered. As of September 30, 2018, the full overpayment was recovered.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

**Business-Type Activities**

The long-term debt at September 30, 2018, 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>	<p>\$ 1,080,000</p>
<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>	<p>8,393,719</p>
<p>\$10,111,190 State Revolving Fund Loan - issued for the purpose of funding the stormwater management system project. The loan bears interest ranging from .77% to .98%, 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>	<p><u>2,147,343</u></p>
<p style="text-align: center;">Total Bonds and Loan Payable</p>	<p><u><u>\$ 11,621,062</u></u></p>

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

**Annual Maturities of Long-Term Obligations**

The annual debt service requirements to pay the bonds and loan payable at September 30, 2018 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 671,270	\$ 17,919	\$ 689,189
2020	1,305,954	23,811	1,329,765
2021	1,460,421	18,650	1,479,071
2022	1,461,488	14,325	1,475,813
2023	1,462,556	9,999	1,472,555
2024 - 2027	5,259,373	11,374	5,270,747
Total	<u>\$ 11,621,062</u>	<u>\$ 96,078</u>	<u>\$ 11,717,140</u>

**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, 2018.

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

The Florida League of Cities, Inc. published financial report for the year ended September 30, 2018, 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.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**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, 2018) and vest 100% to employee upon contribution to the Plan. For the year ended September 30, 2018, contributions to the Plan totaled \$222,165.

**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 45 active plan members, there were no inactive retirees and eligible dependents receiving postemployment healthcare benefits, and there were no inactive employees entitled to but not yet receiving 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. Therefore, no assets are accumulated in as trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Net OPEB Liability**

The components of the Town's net OPEB liability at September 30, 2018 were as follows.

Total OPEB Liability	\$ 127,469
Plan Fiduciary Net Position	-
Net OPEB Liability	<u>\$ 127,469</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0%
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**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.

The Town's net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2016. 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	3.35% Based on the S&P Municipal Bond 20-year High Grade Index
Actuarial Cost Method	Entry age normal.
Healthcare Cost Trend Rate(s)	7.50% for 2017 graded down by 0.50% per year to 5% for 2021/2022 and later fiscal years.
Mortality	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table with full generational improvements in mortality using scale BB.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Changes in the Total OPEB Liability**

	Increase (Decrease)		
	Total Liability	Plan Fiduciary Net Position	Total OPEB Liability
	(a)	(b)	(a) - (b)
Balance at September 30, 2017	\$ 126,653	\$ -	\$ 126,653
Changes for the Year:			
Service Cost	23,443	-	23,443
Interest	5,008	-	5,008
Differences Between Expected and Actual Experience	(8,725)	-	(8,725)
Employer Contributions	-	1,220	(1,220)
Changes of Assumptions	(17,690)	-	(17,690)
Benefit Payments	(1,220)	(1,220)	-
Net Changes	816	-	816
Balance at September 30, 2018	<u>\$ 127,469</u>	<u>\$ -</u>	<u>\$ 127,469</u>

The following presents the total 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:

Description	Current Discount		
	1% Decrease	Rate	1% Increase
OPEB Plan Discount Rate	2.35%	3.35%	4.35%
Total OPEB Liability	\$ 145,143	\$ 127,469	\$ 112,378

The following presents the total 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 of 8% graded down to 5%:

Description			
	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	\$ 105,502	\$ 127,469	\$ 155,595

For the year ended September 30, 2018, the Town recognized OPEB expense of \$24,964. At September 30, 2018, the Town reported deferred outflows and deferred inflows of resources related to OPEB as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 7,976
Changes in Actuarial Assumptions	-	16,172
Total	<u>\$ -</u>	<u>\$ 24,148</u>

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Changes in the Total OPEB Liability (Continued)**

Deferred inflows of resources relate to OPEB will be amortized over 11.65 years, the average remaining lives of participants, and will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ (2,267)
2020	(2,267)
2021	(2,267)
2022	(2,267)
2023	(2,267)
Thereafter	(12,813)

**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, 2018. The future minimum lease payments for the lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 20,455

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, 2018**

**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 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, 2018 were \$87,396.

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 Town received an additional SRF loan award for its storm water improvement project in August 2017 and final signature approval in June 2018. The Town entered into a construction contract with Mitchell and Stark Construction Co., Inc. in August 2017 for the construction of the Side Street Water and Storm Water project. The related projects are multi-year projects and ongoing as of September 30, 2018.

**TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

Open contracts with these vendors are as follows:

Contract Number	Contract Description	Contract Amount	Amount Paid Through September 30, 2018
Tetra Tech:			
STA13	Phase 2 Water and Stormwater	\$ 546,501	\$ 216,007
STA15	Phase 2-4 Water	1,960,476	1,170,197
STA19	Phase 2 Outfalls	465,237	334,579
STA20	Remaining Side Streets Water	878,735	368,167
STA21	Remaining Side Streets Stormwater	393,578	352,333
STA22	Phase III Side Streets	142,940	27,840
STA3	Tier I Storm Water	401,522	34,765
STA4	Tier I Title Search	12,000	12,000
Mitchell & Stark:			
Amendment 6	Phase I Estero Blvd	\$ 4,496,592	\$ 4,197,975
Amendment 8	Phase II Estero Blvd	5,893,756	4,584,042
Amendment 1	Phase III A	6,217,774	213,624
ITB-17-24-PW	Side Streets - Water & Stormwater	13,239,961	6,177,760

**NOTE 14 ECONOMIC DEPENDENCY**

On August 3, 2001, a Bulk Water Agreement was entered into with Lee County, Florida, to provide the Town with potable water. Lee County is currently the only source of the Town'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 Town. 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.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**TOWN OF FORT MYERS BEACH, FLORIDA  
OTHER POSTEMPLOYMENT BENEFITS PLAN  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY  
SEPTEMBER 30, 2018**

Total OPEB Liability	<u>2018</u>	<u>2017</u>
Service Cost	\$ 23,443	\$ 21,172
Interest	5,008	2,777
Change in Benefit Terms	-	-
Differences Between Expected and Actual Experience	(8,725)	-
Employer Contributions	(1,220)	-
Changes of Assumptions	(17,690)	-
Benefit Payments	-	(187)
Net Change in Total OPEB Liability	<u>816</u>	<u>23,762</u>
Total OPEB Liability Beginning	126,653	102,891
Total OPEB Liability Ending	<u>\$ 127,469</u>	<u>\$ 126,653</u>
 Covered-Employee Payroll	 <u>\$ 2,002,493</u>	 <u>\$ 2,152,467</u>
 OPEB Liability as a Percentage of Covered-Employee Payroll	 6.37%	 5.88%

<sup>1</sup> Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

Note: No assets are accumulated in a trust that meets the criteria of GASBS No. 75, paragraph 4, to pay related benefits.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**TOWN OF FORT MYERS BEACH, FLORIDA  
 COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2018**

	Road Impact Fee	Park Impact Fee	Totals
<b>ASSETS</b>			
Cash	\$ 912,209	\$ 125,613	\$ 1,037,822
Total Assets	\$ 912,209	\$ 125,613	\$ 1,037,822
<b>FUND BALANCES</b>			
Restricted:			
Parks and Recreation	\$ -	\$ 125,613	\$ 125,613
Transportation	912,209	-	912,209
Total Fund Balances	912,209	125,613	1,037,822
Total Liabilities and Fund Balances	\$ 912,209	\$ 125,613	\$ 1,037,822

**TOWN OF FORT MYERS BEACH, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE – NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2018**

	Road Impact Fee	Park Impact Fee	Totals
<b>REVENUES</b>			
Special Assessments/Impact Fees	\$ 21,945	\$ 10,731	\$ 32,676
Total Revenues	<u>21,945</u>	<u>10,731</u>	<u>32,676</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	21,945	10,731	32,676
Fund Balances - October 1, 2017	<u>890,264</u>	<u>114,882</u>	<u>1,005,146</u>
<b>FUND BALANCES - SEPTEMBER 30, 2018</b>	<u><u>\$ 912,209</u></u>	<u><u>\$ 125,613</u></u>	<u><u>\$ 1,037,822</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, 2018, 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 27, 2019.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-006 to be material weaknesses.

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

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 the attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-003 through 2018-005, to be significant deficiencies.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-005.

### **The Town of Fort Myers Beach's Response to Findings**

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 results 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 27, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE  
AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Town of Fort Myers Beach's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs and state projects for the year ended September 30, 2018. 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 and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state projects.

***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) and Chapter 10.550, Rules of the Auditor General *Local Governmental Entity Audits*. Those standards, the Uniform Guidance, and Chapter 10.550 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 or state project 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 and State Project***

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 and state projects for the year ended September 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and Chapter 10.550 and which is described in the accompanying schedule of findings and questioned costs as item 2018-009. Our opinion on the major federal program and state projects is not modified with respect to this matter.

The Town's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were 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 and state project 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 state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, 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 or state project 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 or state project 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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-009 that we consider to be a significant deficiency.

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

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

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 and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
June 27, 2019

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2018**

Federal Grantor/Pass through Grantor/State Grantor Program or Cluster Title	CFDA CSFA Number	Contract/Grant Number	Expenditures	Passed Through to Subrecipients
<b>Department of Housing and Urban Development</b>				
<b>Passed through the Lee County, Florida</b>				
Community Development Block Grants—Entitlement Grants	14.218	7942	\$ 20,568	\$ -
Total Department of Housing and Urban Development			<u>20,568</u>	
<b>Environmental Protection Agency</b>				
<b>Passed through the Florida Department of Environmental Protection</b>				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW360800	2,887,847	-
Total Environmental Protection Agency Programs			<u>2,887,847</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,908,415</u>	<u>\$ -</u>
<b>Florida Department of Environmental Protection</b>				
Wastewater Treatment Facility Construction	37.077	SW360830	\$ 3,423,575	
Statewide Surface Water Restoration and Wastewater Projects	37.039	NS030	249,084	
<b>Passed through the Lee County, Florida</b>				
Statewide Surface Water Restoration and Wastewater Projects	37.039	N/A	369,679	
			<u>618,763</u>	
Total Expenditures of State Financial Assistance			<u>\$ 4,042,338</u>	

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**SEPTEMBER 30, 2018**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance (Schedule) includes the federal award and state financial assistance activity of the Town of Fort Myers Beach, Florida (the Town) under programs of the federal government and the State of Florida for the year ended September 30, 2018. 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)* and Chapter 10.550, Rules of the Auditor General. 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 and Chapter 10.550, 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  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

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

***Federal Awards***

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

***Identification of Major Federal Programs***

**CFDA Number(s)**

66.468

**Name of Federal Program or Cluster**

Capitalization Grants for Drinking Water State Revolving Funds

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)  
 YEAR ENDED SEPTEMBER 30, 2018**

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**Section I – Summary of Auditors’ Results (Continued)**

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**State Financial Assistance**

1. Internal control over state projects:

Material weakness(es) identified?                                       yes                      X   no

• Significant deficiency(ies) identified that are not considered to be material weakness(es)?                      X   yes                                       none reported

2. Type of auditors’ report issued on compliance for state projects:                    Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with state requirements?                      X   yes                                       no

**Identification of Major State Projects**

**CSFA Number(s)**

37.039

**Name of State Project**

Statewide Surface Water Restoration and Wastewater Projects

37.077

Wastewater Treatment Facility Construction

Dollar threshold used to distinguish between Type A and Type B state projects:                    \$   300,000

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section II – Financial Statement Findings***

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**2018 – 001 Audit Adjustments**

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

**Criteria:** The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the Town's ability to ensure financial transactions are authorized and accurate. Town management is responsible for establishing and maintaining internal controls for the proper recording of all the Town's transactions, including year-end accruals and reversal of prior year accruals.

**Condition:** As part of the audit, we proposed material audit adjustments to correct the Town's financial statements at year-end. These adjustments involved the recording of accruals, the allocation of expenses between funds, and reversing prior year accruals.

**Cause:** The Town's internal controls over financial reporting did not detect or prevent the errors. In addition, reconciliation of certain items within the Town's general ledger and financial records were not performed until an audit adjustment was noted or audit inquiry was made

**Effect:** The Town's financial records were materially misstated and we proposed adjusting entries to management to correct the Town's financial statements. The proposed audit adjustments were recorded by management to correct the financial statements.

**Recommendation:** We recommend that the Town review their policies and procedures as they relate to internal controls to ensure that supervisory review of financial information is performed and performed in a manner that ensures the financial information is recorded accurately in the Town's financial statements.

**Views of Responsible Officials and Planned Corrective Actions:** The Town had lost almost its entire accounting staff around the beginning of the fiscal year. This loss of historical knowledge and experience regarding the Town's established year-end closing procedures, coupled with the conversion to new accounting software during the fiscal year, unfortunately created some difficulties in particular areas such as accruals, their related reversals, and expense allocations. As discussed during an Audit Committee meeting in January 2019, a review and a revision of the internal control system was agreed upon as an action item for FY18/19, and is in the early stages of development. This will include improving the internal control policies and procedures as related to the recording of financial information and the preparation of the financial statements.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section II – Financial Statement Findings (Continued)***

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**2018 – 002 Year-End Close Process**

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

**Criteria:** Town management is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations.

**Condition:** The financial statement closing process for fiscal year ended September 30, 2018 was ineffective to meet these objectives. The Town was unable to close its books and generate year-end reports in a timely manner.

**Cause:** The Town does not have a standardized process for year-end close calling for the reconciliation and detailed review of all general ledger accounts. Many accounts or adjustments required were not performed until an audit adjustment was noted or an audit inquiry was made.

**Effect:** A significant amount of the supporting documents received were inadequate and necessitated further reconciliations and material adjustments to the trial balance. During the audit, there were delays in receiving requested audit documents and various schedules from Town personnel, that resulted in financial information not being readily available to the financial statement users in a timely manner.

**Recommendation:** We recommend the Town implement policies and procedures to ensure that supervisory review of the year-end trial balance is adequately and accurately performed. In addition, management should implement financial closing procedures, including but not limited to a checklist summarizing all required account reconciliations and adjustments required to be made, that would result in a timely close.

**Views of Responsible Officials and Planned Corrective Actions:** See response to item 2018-001. In addition to the above comments and the fact the Town has completed its first full operating year with the new financial software, internal control procedures are being adjusted and developed to encompass process and system applications. This will include more detailed procedures, schedules, and checklists for the year-end closing process.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section II – Financial Statement Findings (Continued)***

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**2018 – 003 Consideration of Information Technology Controls**

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

**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.

**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 and Planned Corrective Actions:** In the FY16/17 report, the auditors identified a weakness in internal control. Subsequently, the Town Council budgeted \$65,000 to replace all of the I.T. infrastructure, firewall and updates to all our workstation as needed as well as updating all Microsoft Suite programs. In response to the auditor's findings, the Town replaced the old I.T. services company, and an inventory of all equipment and software was conducted with a recommendation for replacements. The current I.T. company has an inventory list of all our equipment and software with dates of acquisition. They continue to monitor our systems on a daily basis and recommend changes as identified. The Town is currently in the requisition phase of hiring a consultant to perform internal and external penetration testing on a regular basis.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section II – Financial Statement Findings (Continued)***

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**2018 – 004 Security for Public Deposits**

Type of Finding: Material Noncompliance

**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 filed by the Town was not the correct form as required by Section 280.17(6) of the Florida Statutes.

**Cause:** The Town's supervisory review over the completion of the Public Depositor Annual Report was not sufficient to detect that the Town was not completing the correct form.

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

**Recommendation:** We recommend that the Town implement policies and procedures to ensure that the individuals preparing and reviewing the Public Depositor Annual Report understand the requirements of Chapter 280, Florida Statutes, and establish procedures to assure the filing of the correct form.

**Views of Responsible Officials and Planned Corrective Actions:** The Public Deposit Program forms on the State's website are very similar and unfortunately, because of an oversight, the wrong form was filed. In response to this finding, staff members have reviewed the State's website and reacquainted themselves with proper forms and deadlines. Additionally, the Town intends to develop a written procedure regarding the filing of the Public Depositor Annual Report, as well as the maintenance of records associated with relevant collateral programs administered by the Florida Treasury's Bureau of Collateral Management.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section II – Financial Statement Findings (Continued)***

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**2018 – 005 Compliance with State Statute and Town Investment Policy**

Type of Finding: Material Noncompliance

**Criteria:** Section 218.415(14), Florida Statutes, requires the Town's officials responsible for making investment decisions to annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products. The Town's investment policy states either the Town Manager or the Finance Director must complete no less than eight hours of continuing education annually in subjects and courses of study related to investment practices and products.

**Condition:** Town personnel indicated that they did not complete the required eight hours of continuing education in subjects or courses of study related to investment practices or products.

**Cause:** While the Town's investments held were in compliance with the Town's Investment Policy and Florida Statutes, continuing education requirements were not met.

**Effect:** The Town is out of compliance with State Statute and its investment policy.

**Recommendation:** We recommend that the Town implement policies and procedures to ensure that management is receiving adequate amounts of continuing education in accordance with the requirements of Chapter 218.415, Florida Statutes.

**Views of Responsible Officials and Planned Corrective Actions:** The Town acknowledges being out of compliance on this issue and in the future will require responsible Town official(s) to meet applicable continuing education requirements. However, it should be noted that during the fiscal year the Town has only held investments in Qualified Public Depositories, Local Surplus Funds, and Intergovernmental Investment Pools. This is generally considered a very low risk investment portfolio and under Chapter 218.415, Florida Statutes, a local government would be allowed to have these type of investments without being required to have an investment policy and without its officials being subject to continued education requirements. Only because the Town did adopt an investment policy, does the aforementioned Statute trigger an automatic requirement for continued education, regardless of the Town's low-risk investment profile.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section II – Financial Statement Findings (Continued)***

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**2018 – 006 Schedule of Expenditures of Federal Awards and State Financial Assistance**

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

**Criteria:** 2 CFR part 200.303 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Internal Control-Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission, provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

In addition, the Florida Single Audit Act requires grant recipients to report all state financial assistance expenditures on the Schedule of Expenditures of State Financial Assistance.

**Condition:** The Town does not maintain accurate and complete reconciliations of grant activity during the year, and multiple errors were noted during the audit and adjustments were required to correct Federal and State grant expenditure amounts required to be reported on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**Cause:** The Town's internal controls over financial reporting were not effective in detecting and preventing the errors. Additionally, the Town's management does not have adequate training and experience related to grant reporting to properly prepare the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**Effect:** The Schedule of Expenditures of Federal Awards and State Financial Assistance was not in compliance with 2 CFR 200.502 and the Florida Single Audit Act prior to the adjustments being made.

**Recommendation:** We recommend that the Town review current procedures for creating the Schedule of Expenditures of Federal Awards and State Financial Assistance to ensure that all Federal and State programs and related expenditures incurred and/or paid during the audit period are properly identified and reported. In addition, the Town should ensure that individuals preparing and reviewing the grant schedules have adequate training and understanding of grant accounting and the reporting guidelines.

**Views of Responsible Officials and Planned Corrective Actions:** It is expected that this issue will be mostly resolved during the course of the current fiscal year (FY18/19) now that the contractor's schedules have caught up with the actual progress of these projects. The Town now has a format for a reconciliation schedule available and intends to update it on a quarterly basis in order to improve the monitoring of grants and loans.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section II – Financial Statement Findings (Continued)***

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**2018 – 007 Cash Management**

Type of Finding: Management Letter Comment

**Criteria:** Requests for reimbursement from grantor agencies should be submitted at timely intervals such as monthly or quarterly.

**Condition:** Requests for reimbursement were submitted to the State of Florida Department of Environmental Protection for the stormwater and water main projects two to ten months after the Town paid the contractor.

**Cause:** Management did not have the tools in place for the timely submission of requests for reimbursement.

**Effect:** The delay in drawing down grant funds causes significant interfund borrowings and may cause cash flow issues.

**Recommendation:** Best practice is to draw grant funds as soon as allowable under the terms of the grant agreement upon the completion of the eligibility requirements of the grant.

**Views of Responsible Officials and Planned Corrective Actions:** It is expected that this issue will be mostly resolved during the course of the current fiscal year (FY18/19) now that the contractor's schedules have caught up with the actual progress of these projects. The Town now has a format for a reconciliation schedule available and intends to update it on a quarterly basis in order to improve the monitoring of grants and loans.

**2018 – 008 Wire Transfer Policy**

Type of Finding: Management Letter Comment

**Criteria:** Policies and procedures should be reviewed and updated on a timely basis.

**Condition:** Current operating procedures for wire transfers do not align with the written policy.

**Cause:** The policy has not been updated to reflect changes in the financial institution's procedures for processing wire transfers.

**Effect:** The Town is out of compliance with its written wire transfer policy.

**Recommendation:** We recommend management review written policies on a timely and regular basis.

**Views of Responsible Officials and Planned Corrective Actions:** Wire Transfer Policy- the Town concurs with the recommendations and will update the Wire Transfer Policy

**TOWN OF FORT MYERS BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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

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

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***Section IV – Findings and Questioned Costs – Major State Projects***

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**2018 – 009 Reporting**

State agency: Florida Department of Environmental Protection

State Project: Statewide Surface Water Restoration and Wastewater Projects

CSFA Number: 37.039

Contract: NS030

Award Period: October 13, 2017 through March 31, 2019

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

**Criteria:** Pursuant to the grant agreement, progress reports shall be submitted quarterly describing the work performed, problems encountered, problem resolution, schedule updates and proposed work for the next reporting period. Reports shall be submitted to the Department's Grant Manager no later than twenty (20) days following the completion of the reporting period.

**Condition:** During our testing, we noted that the Town did not have adequate internal controls designed to ensure that required reports were submitted to the granting agency by the required due date.

**Questioned costs:** None

**Context:** Three of the four quarterly reports were not filed within 20 days following the completion of the reporting period.

**Cause:** The Town does not have the proper controls in place to monitor the timely filing of all required reports.

**Effect:** The City was not in compliance with reporting requirements of the grant agreement.

**Repeat Finding:** No

**Recommendation:** We recommend that the Town design and implement policies and procedures to ensure that all reporting requirements are met and that reporting due dates be carefully monitored to ensure that reports are submitted timely.

**Views of Responsible Officials and Planned Corrective Actions:** The Town Manager of the water utility is the grant controller for the grant referenced in this finding, who uses the services of the engineering company that designed the water and storm water improvement program and assist in the oversight. The Town will develop internal procedures for each grant reporting requirement as defined in each agreement and finance department will perform reporting verifications.

**TOWN OF FORT MYERS BEACH, FLORIDA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2018**

**PRIOR YEAR FINDINGS and QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS**

**2017 – 001 Special Tests and Provisions**

Federal Agency: *Environmental Protection Agency*

Pass-Through Agency: *State of Florida Department of Environmental Protection*

Federal program Title: Capitalization Grants for Drinking Water State Revolving Fund

CFDA Number: 66.468

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

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

**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.

**Current status:** Corrective action has been taken.



## 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, 2018 and have issued our report thereon dated June 27, 2019.

### ***Auditors' 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 State Project 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 27, 2019, 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 financial audit report. The status of findings and recommendations made in the preceding financial audit report is listed in Appendix A.

### **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.b. 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 recommendation is included in the Schedule of Findings and Questioned Costs and is identified as item 2018-007 and 2018-008.

### **Special District Component Units**

Section 10.554(1)(i)5.c., 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 warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **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**

Fort Myers, Florida  
June 27, 2019

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT LETTER**

**SEPTEMBER 30, 2018**

**APPENDIX A – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

Prior Year Findings		Current Year Status			Current Year Finding #	2016-2017 Year Finding #	2015-2016 Year Finding #
		Cleared	Partially Cleared	Not Cleared			
Special Tests and Provisions	Significant Deficiency	X			NA	2017 - 001	NA
Audit Adjustments	Material Weakness			X	2018 - 001	2017 - 002	NA
Consideration of Information Technology Controls	Management Letter Comment			X	2018 - 004	2017 - 003	NA
Security for Public Deposits	Management Letter Comment			X	2018 - 005	2017 - 004	NA



## 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, 2018. 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.

Our examination disclosed that the officials responsible for making investment decisions did not complete eight hours of continuing education in subjects or courses of study related to investment practices and products as required.

In our opinion, except for the deviation described in the fourth paragraph, 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, 2018.

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 27, 2019