

TOWN OF FORT MYERS BEACH, FLORIDA

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

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TOWN OF FORT MYERS BEACH, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Town Council and Town Manager
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, 2019, 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.

Auditor's 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 auditor's 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons 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's discussion and analysis (on pages 3 through 9) and the schedule of changes in total OPEB liability (on page 43) 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 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 is presented for purposes of additional analysis as required by 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, *Local Governmental Entity Audits*, Rules of the Auditor General, and is also not a required part of the basic financial statements of the Town. The combining 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 combining nonmajor fund financial statements the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2020, 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.



Bradenton, Florida
April 13, 2020

THE TOWN OF FORT MYERS BEACH, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED SEPTEMBER 30, 2019

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, 2019.

Since the Management's Discussion and Analysis is designed to focus on the current year's, resulting changes and current known facts, please read it in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- At September 30, 2019, the assets and deferred outflows of resources of the Town of Fort Myers Beach, Florida exceeded its liabilities and deferred inflows of resources by \$51,879,488 (net position). Of this amount, \$9,676,270 of unrestricted net position may be used to meet the Town's ongoing obligations.
- The Town's total net position increased by \$4,576,177.
- The Town of Fort Myers Beach, Florida's governmental funds reported combined ending fund balances of \$7,234,929 as of September 30, 2019. This is an increase of \$1,690,935 over the September 30, 2018, 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 10) and the statement of activities (page 11) 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 by the 2019 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.
- 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 12. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore, you will find the reconciliation on pages 13 and 15 that converts this data to an economic resources measurement focus and the accrual basis of accounting for use in the government-wide financial statements. The fund financial statements present information in more detail than the government-wide financial statements.

**THE TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 that 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 the full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 23.

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, 2019 and 2018.

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 7,980,989 | \$ 6,940,174 | \$ 9,989,315 | \$ 4,289,582 | \$ 17,970,304 | \$ 11,229,756 |
| Capital assets | 23,628,407 | 23,835,506 | 39,417,506 | 29,073,061 | 63,045,913 | 52,908,567 |
| Total assets | 31,609,396 | 30,775,680 | 49,406,821 | 33,362,643 | 81,016,217 | 64,138,323 |
| Deferred outflows of financial resources | 32,941 | - | 5,190 | - | 38,131 | - |
| Current and other liabilities | 666,385 | 902,482 | 5,340,832 | 4,601,027 | 6,007,217 | 5,503,509 |
| Noncurrent liabilities | 429,418 | 323,865 | 22,686,637 | 10,983,490 | 23,116,055 | 11,307,355 |
| Total liabilities | 1,095,803 | 1,226,347 | 28,027,469 | 15,584,517 | 29,123,272 | 16,810,864 |
| Deferred inflows of financial resources | 44,567 | 21,762 | 7,021 | 2,386 | 51,588 | 24,148 |
| Net investment in capital assets | 23,579,632 | 23,835,506 | 16,780,501 | 15,299,515 | 40,360,133 | 39,135,021 |
| Restricted | 1,843,085 | 2,028,802 | - | - | 1,843,085 | 2,028,802 |
| Unrestricted | 5,079,250 | 3,663,263 | 4,597,020 | 2,476,225 | 9,676,270 | 6,139,488 |
| Total net position | \$ 30,501,967 | \$ 29,527,571 | \$ 21,377,521 | \$ 17,775,740 | \$ 51,879,488 | \$ 47,303,311 |

**THE TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

- For governmental activities net position, \$23,579,632, or 76.9%, 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 restrictions on how they may be used.
- Governmental activities unrestricted net position increased by \$1,606,895, or 43.9%, over 2018. Unrestricted net position accounts for 17.2% of the Town's governmental activities net position. This unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.
- Governmental activities restricted net position of \$1,843,085, or 6.0% of the Town's governmental activities net position, represents resources restricted for specific purposes.

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 | |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Program revenues | | | | | | |
| Charges for services | \$ 3,105,408 | \$ 2,399,002 | \$ 6,311,489 | \$ 5,932,456 | \$ 9,416,897 | \$ 8,331,458 |
| Operating grants and contributions | 1,482,579 | 1,376,448 | - | - | 1,482,579 | 1,376,448 |
| Capital grants and contributions | 241,732 | 57,676 | 500,000 | 249,084 | 741,732 | 306,760 |
| General revenues | | | | | | |
| Property taxes | 2,881,811 | 2,786,668 | - | - | 2,881,811 | 2,786,668 |
| Franchise fees | 1,042,484 | 1,049,051 | - | - | 1,042,484 | 1,049,051 |
| Gas taxes | 430,989 | 427,119 | - | - | 430,989 | 427,119 |
| Communications taxes | 554,993 | 541,685 | - | - | 554,993 | 541,685 |
| Business taxes | 7,952 | 7,159 | - | - | 7,952 | 7,159 |
| Intergovernmental revenues, unrestricted | 792,703 | 814,364 | - | - | 792,703 | 814,364 |
| Investment earnings | 198,066 | 10,510 | 40,239 | 255 | 238,305 | 10,765 |
| Miscellaneous | - | 71,356 | - | 96,049 | - | 167,405 |
| Total revenues | 10,738,717 | 9,541,038 | 6,851,728 | 6,277,844 | 17,590,445 | 15,818,882 |
| Program expenses | | | | | | |
| Governmental activities | | | | | | |
| General government | 3,449,660 | 4,014,232 | - | - | 3,449,660 | 4,014,232 |
| Public safety | 415,619 | 601,019 | - | - | 415,619 | 601,019 |
| Physical environment | 184,369 | 238,919 | - | - | 184,369 | 238,919 |
| Transportation | 1,919,995 | 1,414,856 | - | - | 1,919,995 | 1,414,856 |
| Culture/recreation | 3,344,435 | 2,524,162 | - | - | 3,344,435 | 2,524,162 |
| Interest on long-term debt | 243 | - | - | - | 243 | - |
| Business-type activities | | | | | | |
| Water Utility | - | - | 3,607,887 | 3,299,086 | 3,607,887 | 3,299,086 |
| Stormwater | - | - | 92,060 | 350,824 | 92,060 | 350,824 |
| Total expenses | 9,314,321 | 8,793,188 | 3,699,947 | 3,649,910 | 13,014,268 | 12,443,098 |
| Change in net position before transfers | 1,424,396 | 747,850 | 3,151,781 | 2,627,934 | 4,576,177 | 3,375,784 |
| Transfers | (450,000) | (592,179) | 450,000 | 592,179 | - | - |
| Change in net position | 974,396 | 155,671 | 3,601,781 | 3,220,113 | 4,576,177 | 3,375,784 |
| Net position, beginning | 29,527,571 | 29,371,900 | 17,775,740 | 14,555,627 | 47,303,311 | 43,927,527 |
| Net position, ending | \$ 30,501,967 | \$ 29,527,571 | \$ 21,377,521 | \$ 17,775,740 | \$ 51,879,488 | \$ 47,303,311 |

**THE TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

Total revenues increased by \$1,771,563, or 11% 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 \$571,170 or 5% 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 | |
|----------------------------|-------------------------------|---------------------|--|---------------------|
| | 2019 | 2018 | 2019 | 2018 |
| General government | \$ 3,449,660 | \$ 4,014,232 | \$ 2,471,544 | \$ 3,334,748 |
| Public safety | 415,619 | 601,019 | (225,892) | 601,019 |
| Physical environment | 184,369 | 238,919 | 157,732 | 194,621 |
| Transportation | 1,919,995 | 1,414,856 | 1,873,049 | (38,898) |
| Economic environment | - | - | - | (4,996) |
| Culture/recreation | 3,344,435 | 2,524,162 | 207,926 | 873,568 |
| Interest on long-term debt | 243 | - | 243 | - |
| | <u>\$ 9,314,321</u> | <u>\$ 8,793,188</u> | <u>\$ 4,484,602</u> | <u>\$ 4,960,062</u> |

The cost of all governmental activities this fiscal year was \$9.3 million as comparable to \$8.8 million for fiscal year 2018. As shown in the statement of activities (page 11), the net (expense) from governmental activities was \$4.5 million for 2019 compared to a net cost of \$5.0 million for 2018. Revenues contributing to earnings from governmental activities consisted of:

- \$3,105,408 in charges for services of which there was approximately \$842,618 in revenue from permits and zoning fees, approximately \$1,190,560 from parking facilities revenues, approximately \$157,478 for harborage usage fees, and approximately \$242,623 from parks and recreation fees with the remainder from various fees for general government service.
- \$1,482,579 in operating grants and contributions. The balance is primarily comprised of operating grants from the Tourist Development Council for beach access maintenance and \$570,000 from Public Safety.
- \$241,732 in capital grants and contributions, which is mainly comprised of Road and Park Impact fees collected internally by the building department and Cultural/Recreation program.

Business-type Activities

Revenues of the Town's business-type activities totaled \$7,301,728 and \$6,870,023 for 2019 and 2018, respectively. Operating expenses totaled \$3,699,947 and \$3,649,910 for 2019 and 2018, respectively. The increase in net position was \$3,601,781 and \$3,220,113 for 2019 and 2018, respectively. Revenue and net position increases are primarily due to the Town Council approval of 7% water rate increase and included a \$450,000 from the Gas Tax Fund to fund a portion of the side street storm water project.

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 TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

The *General Fund* is the chief operating fund of the Town. It is used to account for all financial resources except those to be accounted for in another fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,618,316. During the current fiscal year, the fund balance of the Town's General Fund increased by \$1,921,310. The increase in fund balance is a result of the first full year of new short-term rental fees of \$126,884; \$58,000 increase in parking revenue; first full year of interest income recognized from changing banks and negotiating a new banking agreement resulting in additional interest income of \$83,158; a reimbursement from FEMA (Hurricane Irma) of approximately \$570,000; and finally departmental operating savings of approximately \$490,000.

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 \$755,931, all of which is restricted to road improvements and transportation related items. The fund balance reflects a decrease of \$200,343 due to a transfer to the Stormwater fund for roadway repaving in 2019.

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. Fiscal year 2019 is the first full operating year of the Town administering its own building permit services.

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 amount received for fiscal year 2019 was \$952,986.

The *Capital Projects Fund* is maintained by transfers from the General Fund and other special revenue funds. Capital outlay of \$779,568 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

Revenue budget-to-actual in the General Fund resulted in a \$1,653,350, or 22.8%, positive revenue variance. The positive revenue variance was due to a reimbursement from FEMA (Hurricane Irma) of approximately \$570,000, first full year of interest income recognized from changing banks and negotiating a new banking agreement resulting in additional interest income of \$122,265, new short-term rental \$100,000, the first full year of public utility taxes after the payoff of an overpayment received from FPL from prior years of \$206,444, miscellaneous revenue of \$100,570, code enforcement fees of \$86,180, zoning fees of \$57,000, various permit fees of \$150,000, and other intergovernmental revenues of \$393,370.

Budget-to-actual expenditures in the General Fund show a \$752,960 positive variance (actual less than fiscal budget). This difference is primarily attributable to an unused contingency budget, legal services savings of \$117,500 and Stormwater maintenance savings of \$254,000. A more detailed analysis of the General Fund budget comparison can be found in the basic financial statements section.

**THE TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 | |
|--------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 10,536,780 | \$ 10,536,780 | \$ 305,000 | \$ 305,000 | \$ 10,841,780 | \$ 10,841,780 |
| Buildings and leasehold improvements | 6,565,178 | 6,837,494 | - | 662,823 | 6,565,178 | 7,500,317 |
| Improvements other than buildings | 1,697,992 | 1,501,717 | - | - | 1,697,992 | 1,501,717 |
| Office furniture and equipment | 254,783 | 348,715 | - | 51 | 254,783 | 348,766 |
| Vehicles and other equipment | 861,301 | 751,933 | - | 120,429 | 861,301 | 872,362 |
| Infrastructure | 3,712,373 | 3,858,867 | 13,887,801 | 13,547,171 | 17,600,174 | 17,406,038 |
| Construction in progress | - | - | 25,224,705 | 14,437,587 | 25,224,705 | 14,437,587 |
| Total capital assets | <u>\$ 23,628,407</u> | <u>\$ 23,835,506</u> | <u>\$ 39,417,506</u> | <u>\$ 29,073,061</u> | <u>\$ 63,045,913</u> | <u>\$ 52,908,567</u> |

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

Long-Term Debt

As of September 30, 2019 and 2018, 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 | |
|----------------------------|-------------------------|-------------|--------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Refunding bond payable | \$ - | \$ - | \$ 900,000 | \$ 1,080,000 | \$ 900,000 | \$ 1,080,000 |
| State revolving fund loans | - | - | 21,737,005 | 10,541,062 | 21,737,005 | 10,541,062 |
| Capital lease payable | 48,775 | - | - | - | 48,775 | - |
| Total debt | <u>\$ 48,775</u> | <u>\$ -</u> | <u>\$ 22,637,005</u> | <u>\$ 11,621,062</u> | <u>\$ 22,685,780</u> | <u>\$ 11,621,062</u> |

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

ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGET

The State of Florida operates primarily using sales, gasoline, and corporate income 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 non-recurring (one-time) grants from both the state and federal governments.

The following factors were considered in preparing the Town's budget for the 2019-2020 fiscal year:

- 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 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 side streets in the Town in the amount of \$13,592,550 and it is anticipated that future State loans will be pursued to complete 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 Operations and account for the expenditures funded from the revenues collected.

The Town has continued to budget for a lobbyist to monitor state legislation for capital projects.

**THE TOWN OF FORT MYERS BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

REQUESTS FOR INFORMATION

The 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, Florida 33931

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BASIC FINANCIAL STATEMENTS

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TOWN OF FORT MYERS BEACH, FLORIDA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 5,308,438 | \$ 1,737,488 | \$ 7,045,926 |
| Investments | 1,934,294 | - | 1,934,294 |
| Due from other governments | 264,781 | 6,434,281 | 6,699,062 |
| Accounts receivable, net | 233,363 | 1,027,808 | 1,261,171 |
| Prepaid expenses | 240,113 | 102,068 | 342,181 |
| Restricted cash | - | 687,670 | 687,670 |
| Capital assets | | | |
| Nondepreciable | 10,536,780 | 25,529,705 | 36,066,485 |
| Depreciable | 13,091,627 | 13,887,801 | 26,979,428 |
| Total assets | <u>31,609,396</u> | <u>49,406,821</u> | <u>81,016,217</u> |
| Deferred outflows of resources | | | |
| Deferred outflows - OPEB | <u>32,941</u> | <u>5,190</u> | <u>38,131</u> |
| Liabilities | | | |
| Accounts payable and other accrued liabilities | 613,613 | 5,017,215 | 5,630,828 |
| Accrued interest payable | - | 45,337 | 45,337 |
| Unearned revenue | 52,772 | - | 52,772 |
| Payable from restricted assets | | | |
| Customer deposits | - | 278,280 | 278,280 |
| Noncurrent liabilities | | | |
| Due within one year | 186,691 | 968,570 | 1,155,261 |
| Due in more than one year | 242,727 | 21,718,067 | 21,960,794 |
| Total liabilities | <u>1,095,803</u> | <u>28,027,469</u> | <u>29,123,272</u> |
| Deferred inflows of resources | | | |
| Deferred inflows - OPEB | <u>44,567</u> | <u>7,021</u> | <u>51,588</u> |
| Net position | | | |
| Net investment in capital assets | 23,579,632 | 16,780,501 | 40,360,133 |
| Restricted for | | | |
| Parks and recreation | 138,074 | - | 138,074 |
| Transportation | 1,705,011 | - | 1,705,011 |
| Unrestricted | 5,079,250 | 4,597,020 | 9,676,270 |
| Total net position | <u>\$ 30,501,967</u> | <u>\$ 21,377,521</u> | <u>\$ 51,879,488</u> |

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Functions/programs | | | | | | |
| Governmental activities | | | | | | |
| General government | \$ 3,449,660 | \$ - | \$ - | \$ (2,471,544) | \$ - | \$ (2,471,544) |
| Public safety | 415,619 | 569,119 | 30,030 | 225,892 | - | 225,892 |
| Physical environment | 184,369 | 9,117 | 17,520 | (157,732) | - | (157,732) |
| Transportation | 1,919,995 | - | 44,903 | (1,873,049) | - | (1,873,049) |
| Culture/recreation | 3,344,435 | 904,343 | 149,279 | (207,926) | - | (207,926) |
| Interest on long-term debt | 243 | - | - | (243) | - | (243) |
| Total governmental activities | 9,314,321 | 1,482,579 | 241,732 | (4,484,602) | - | (4,484,602) |
| Business-type activities | | | | | | |
| Water and sewer | 3,607,887 | - | - | - | 1,575,968 | 1,575,968 |
| Stormwater | 92,060 | - | 500,000 | - | 1,535,574 | 1,535,574 |
| Total business-type activities | 3,699,947 | - | 500,000 | - | 3,111,542 | 3,111,542 |
| Total primary government | \$ 13,014,268 | \$ 1,482,579 | \$ 741,732 | (4,484,602) | 3,111,542 | (1,373,060) |
| General revenues | | | | | | |
| Property taxes, levied for general purposes | | | | 2,881,811 | - | 2,881,811 |
| Communication services tax | | | | 554,993 | - | 554,993 |
| Gas taxes | | | | 430,989 | - | 430,989 |
| Franchise fees | | | | 1,042,484 | - | 1,042,484 |
| Business taxes | | | | 7,952 | - | 7,952 |
| Intergovernmental revenues, unrestricted | | | | 792,703 | - | 792,703 |
| Investment earnings | | | | 198,066 | 40,239 | 238,305 |
| Transfers | | | | (450,000) | 450,000 | - |
| Total general revenues and transfers | | | | 5,458,998 | 490,239 | 5,949,237 |
| Change in net position | | | | 974,396 | 3,601,781 | 4,576,177 |
| Net position, beginning of year | | | | 29,527,571 | 17,775,740 | 47,303,311 |
| Net position, end of year | | | | \$ 30,501,967 | \$ 21,377,521 | \$ 51,879,488 |

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FORT MYERS BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

| | General | Gas Tax | Building | Beach Access | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|------------------|---------------------|-------------------------|------------------------------------|---------------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 2,805,256 | \$ 354,939 | \$ 23,238 | \$ 261,654 | \$ 769,735 | \$ 1,093,616 | \$ 5,308,438 |
| Investments | 1,557,285 | 377,009 | - | - | - | - | 1,934,294 |
| Accounts receivable | 12,154 | - | - | 221,209 | - | - | 233,363 |
| Prepaid items | 223,022 | 509 | 10,378 | 6,204 | - | - | 240,113 |
| Due from other funds | 752,100 | - | - | - | - | - | 752,100 |
| Due from other governments | 228,733 | 36,048 | - | - | - | - | 264,781 |
| Total assets | <u>\$ 5,578,550</u> | <u>\$ 768,505</u> | <u>\$ 33,616</u> | <u>\$ 489,067</u> | <u>\$ 769,735</u> | <u>\$ 1,093,616</u> | <u>\$ 8,733,089</u> |
| Liabilities, deferred inflows of resources and fund balances | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable and accrued liabilities | \$ 459,000 | \$ 12,574 | \$ 34,584 | \$ 56,558 | \$ 44,944 | \$ 5,953 | \$ 613,613 |
| Due to other funds | - | - | 72,545 | 679,555 | - | - | 752,100 |
| Unearned revenue | 52,772 | - | - | - | - | - | 52,772 |
| Total liabilities | <u>511,772</u> | <u>12,574</u> | <u>107,129</u> | <u>736,113</u> | <u>44,944</u> | <u>5,953</u> | <u>1,418,485</u> |
| Deferred inflows of resources | | | | | | | |
| Unavailable revenue | - | - | - | 79,675 | - | - | 79,675 |
| Fund balances (deficits) | | | | | | | |
| Nonspendable | 223,022 | 509 | 10,378 | 6,204 | - | - | 240,113 |
| Prepaid items | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | 138,074 | 138,074 |
| Parks and recreation | - | 755,422 | - | - | - | 949,589 | 1,705,011 |
| Transportation | - | - | - | - | - | - | - |
| Committed | 100,000 | - | - | - | - | - | 100,000 |
| Beach renourishment | - | - | - | - | 724,791 | - | 724,791 |
| Capital Projects | - | - | - | - | - | - | - |
| Other committed reserves | 969,440 | - | - | - | - | - | 969,440 |
| Compensated absences | 111,000 | - | - | - | - | - | 111,000 |
| Assigned | | | | | | | |
| Legal, general liability, and grant matching | 215,000 | - | - | - | - | - | 215,000 |
| Emergency | 500,000 | - | - | - | - | - | 500,000 |
| Operating reserve | 1,330,000 | - | - | - | - | - | 1,330,000 |
| Unassigned | 1,618,316 | - | (83,891) | (332,925) | - | - | 1,201,500 |
| Total fund balances (deficits) | <u>5,066,778</u> | <u>755,931</u> | <u>(73,513)</u> | <u>(326,721)</u> | <u>724,791</u> | <u>1,087,663</u> | <u>7,234,929</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 5,578,550</u> | <u>\$ 768,505</u> | <u>\$ 33,616</u> | <u>\$ 489,067</u> | <u>\$ 769,735</u> | <u>\$ 1,093,616</u> | <u>\$ 8,733,089</u> |

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

| | | |
|--|-------------------|------------------------------------|
| Fund Balances, Total Governmental Funds | | \$ 7,234,929 |
| <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> | | |
| Governmental capital assets | \$ 10,536,780 | |
| Accumulated depreciation | <u>13,091,627</u> | 23,628,407 |
| <p>Deferred outflows, deferred inflows, and the total OPEB liability related to the Town's other post-employment benefits plan are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.</p> | | |
| Deferred outflows - OPEB | 32,941 | |
| Deferred intflows - OPEB | (44,567) | |
| Total OPEB liability | <u>(148,167)</u> | (159,793) |
| <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> | | |
| | | 79,675 |
| <p>Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore, are not reported in the funds.</p> | | |
| Compensated absences | (232,476) | |
| Capital leases payable | <u>(48,775)</u> | <u>(281,251)</u> |
| Net Position of Governmental Activities | | <u><u>\$ 30,501,967</u></u> |

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | General | Gas Tax | Building | Beach Access | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|--------------------|---------------------|-------------------|-----------------------------|--------------------------|
| Revenues | | | | | | | |
| Taxes | | | | | | | |
| Property | \$ 2,881,811 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,881,811 |
| Gas | - | 430,989 | - | - | - | - | 430,989 |
| Franchise | 1,042,484 | - | - | - | - | - | 1,042,484 |
| Communication services | 554,993 | - | - | - | - | - | 554,993 |
| Local business | 7,952 | - | - | - | - | - | 7,952 |
| Licenses and permits | 276,258 | - | 566,360 | - | - | - | 842,618 |
| Intergovernmental | 1,783,869 | - | - | 952,986 | - | - | 2,736,855 |
| Charges for services | 2,082,887 | - | 2,043 | - | - | - | 2,084,930 |
| Fines and forfeitures | 300 | - | - | - | - | - | 300 |
| Special assessments/impact fees | - | - | - | - | - | 57,364 | 57,364 |
| Investment income | 134,329 | 35,162 | - | - | 12,130 | 16,445 | 198,066 |
| Miscellaneous | 132,942 | - | 42,362 | 136,818 | 2,256 | - | 314,378 |
| Total revenues | 8,897,825 | 466,151 | 610,765 | 1,089,804 | 14,386 | 73,809 | 11,152,740 |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General government | 2,048,512 | - | 719,486 | - | - | - | 2,767,998 |
| Public safety | 412,978 | - | - | - | - | - | 412,978 |
| Transportation | 1,554,921 | 341,494 | - | - | - | - | 1,896,415 |
| Culture and recreation | 1,985,833 | - | - | 1,038,176 | - | - | 3,024,009 |
| Capital outlay | 1,492 | - | - | 153,909 | 779,568 | 23,968 | 958,937 |
| Debt service: | | | | | | | |
| Principal | 711 | - | - | - | - | - | 711 |
| Interest | 243 | - | - | - | - | - | 243 |
| Total expenditures | 6,004,690 | 341,494 | 719,486 | 1,192,085 | 779,568 | 23,968 | 9,061,291 |
| Excess (deficiency) of revenues over (under) expenditures | 2,893,135 | 124,657 | (108,721) | (102,281) | (765,182) | 49,841 | 2,091,449 |
| Other financing sources (uses) | | | | | | | |
| Issuance of capital lease | - | - | - | - | 49,486 | - | 49,486 |
| Transfers in | - | 100,000 | - | - | 846,825 | - | 946,825 |
| Transfers out | (971,825) | (425,000) | - | - | - | - | (1,396,825) |
| Total other financing sources (uses) | (971,825) | (325,000) | - | - | 896,311 | - | (400,514) |
| Change in fund balances | 1,921,310 | (200,343) | (108,721) | (102,281) | 131,129 | 49,841 | 1,690,935 |
| Fund balances (deficits), beginning of year | 3,145,468 | 956,274 | 35,208 | (224,440) | 593,662 | 1,037,822 | 5,543,994 |
| Fund balances (deficits), end of year | \$ 5,066,778 | \$ 755,931 | \$ (73,513) | \$ (326,721) | \$ 724,791 | \$ 1,087,663 | \$ 7,234,929 |

The accompanying notes to financial statements are an integral part of this statement.

**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
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

| | | |
|---|--------------------|-----------------------|
| Net Change in Fund Balances, Total Governmental Funds | \$ | 1,690,935 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.</p> | | |
| Capital outlay | \$ 941,307 | |
| Less current year depreciation | <u>(1,104,051)</u> | (162,744) |
| <p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.</p> | | |
| | | (44,355) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| | | (414,023) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term liabilities.</p> | | |
| Issuance of capital leases | (49,486) | |
| Principal repayment of long-term debt | <u>711</u> | (48,775) |
| <p>In the governmental funds, current year expenditures related to OPEB are comprised solely of amounts contributed to the plan for the current year. However, in the Statement of Activities, expenses related to OPEB include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of OPEB and related items.</p> | | |
| | | (23,156) |
| <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 | | <u>(23,486)</u> |
| Change in Net Position of Governmental Activities | \$ | <u>974,396</u> |

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—BUDGET AND ACTUAL—GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget— Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | | | | |
| Property | \$ 2,868,100 | \$ 2,868,100 | \$ 2,881,811 | \$ 13,711 |
| Franchise | 836,040 | 836,040 | 1,042,484 | 206,444 |
| Communications services | 535,200 | 535,200 | 554,993 | 19,793 |
| Local business | 7,000 | 7,000 | 7,952 | 952 |
| Licenses and permits | 125,535 | 125,535 | 276,258 | 150,723 |
| Intergovernmental | 790,500 | 790,500 | 1,783,869 | 993,369 |
| Charges for services | 2,044,100 | 2,044,100 | 2,082,887 | 38,787 |
| Fines and forfeitures | - | - | 300 | 300 |
| Investment income | 7,000 | 7,000 | 134,329 | 127,329 |
| Miscellaneous | 31,000 | 31,000 | 132,942 | 101,942 |
| Total revenues | <u>7,244,475</u> | <u>7,244,475</u> | <u>8,897,825</u> | <u>1,653,350</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,489,205 | 2,489,205 | 2,048,512 | 440,693 |
| Public safety | 583,242 | 583,242 | 412,978 | 170,264 |
| Transportation | 1,926,255 | 1,926,255 | 1,554,921 | 371,334 |
| Culture and recreation | 1,758,948 | 1,758,948 | 1,985,833 | (226,885) |
| Capital outlay | - | - | 1,492 | (1,492) |
| Debt service: | | | | |
| Principal | - | - | 711 | (711) |
| Interest | - | - | 243 | (243) |
| Total expenditures | <u>6,757,650</u> | <u>6,757,650</u> | <u>6,004,690</u> | <u>752,960</u> |
| Excess of revenues over expenditures | <u>486,825</u> | <u>486,825</u> | <u>2,893,135</u> | <u>2,406,310</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 500,000 | 500,000 | - | (500,000) |
| Transfers out | (986,825) | (986,825) | (971,825) | 15,000 |
| Total other financing sources (uses) | <u>(486,825)</u> | <u>(486,825)</u> | <u>(971,825)</u> | <u>(485,000)</u> |
| Change in fund balance | - | - | 1,921,310 | 1,921,310 |
| Fund balance, beginning of year | <u>3,145,468</u> | <u>3,145,468</u> | <u>3,145,468</u> | - |
| Fund balance, end of year | <u>\$ 3,145,468</u> | <u>\$ 3,145,468</u> | <u>\$ 5,066,778</u> | <u>\$ 1,921,310</u> |

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—BUDGET AND ACTUAL—GAS TAX FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget— Positive (Negative)</u> |
|---|-------------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | | | | |
| Gas taxes | \$ 441,000 | \$ 441,000 | \$ 430,989 | \$ (10,011) |
| Intergovernmental | 10,500 | 10,500 | - | (10,500) |
| Interest | 20,000 | 20,000 | 35,162 | 15,162 |
| Total revenues | <u>471,500</u> | <u>471,500</u> | <u>466,151</u> | <u>(5,349)</u> |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 382,640 | 382,640 | 341,494 | 41,146 |
| Total expenditures | <u>382,640</u> | <u>382,640</u> | <u>341,494</u> | <u>41,146</u> |
| Excess of revenues over expenditures | <u>88,860</u> | <u>88,860</u> | <u>124,657</u> | <u>35,797</u> |
| Other financing uses | | | | |
| Transfers in | 336,140 | 336,140 | 100,000 | (236,140) |
| Transfers out | (425,000) | (425,000) | (425,000) | - |
| Total other financing uses | <u>(88,860)</u> | <u>(88,860)</u> | <u>(325,000)</u> | <u>(236,140)</u> |
| Change in fund balance | - | - | (200,343) | (200,343) |
| Fund balance, beginning of year | <u>956,274</u> | <u>956,274</u> | <u>956,274</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 956,274</u> | <u>\$ 956,274</u> | <u>\$ 755,931</u> | <u>\$ (200,343)</u> |

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—BUDGET AND ACTUAL—BUILDING FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget— Positive (Negative)</u> |
|--|-------------------------|------------------|--------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Licenses and permits | \$ 510,560 | \$ 510,560 | \$ 566,360 | \$ 55,800 |
| Charges for services | - | - | 2,043 | 2,043 |
| Miscellaneous | - | - | 42,362 | 42,362 |
| Total revenues | <u>510,560</u> | <u>510,560</u> | <u>610,765</u> | <u>100,205</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 510,560 | 510,560 | 719,486 | (208,926) |
| Total expenditures | <u>510,560</u> | <u>510,560</u> | <u>719,486</u> | <u>(208,926)</u> |
| Change in fund balance | - | - | (108,721) | (108,721) |
| Fund balance, beginning of year | <u>35,208</u> | <u>35,208</u> | <u>35,208</u> | <u>-</u> |
| Fund balance (deficit), end of year | <u>\$ 35,208</u> | <u>\$ 35,208</u> | <u>\$ (73,513)</u> | <u>\$ (108,721)</u> |

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—BUDGET AND ACTUAL—BEACH ACCESS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget— Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental | \$ 1,340,970 | \$ 1,340,970 | \$ 952,986 | \$ (387,984) |
| Miscellaneous | - | - | 136,818 | 136,818 |
| Total revenues | <u>1,340,970</u> | <u>1,340,970</u> | <u>1,089,804</u> | <u>(251,166)</u> |
| Expenditures | | | | |
| Current | | | | |
| Culture and recreation | 1,193,970 | 1,193,970 | 1,038,176 | 155,794 |
| Capital outlay | 147,000 | 147,000 | 153,909 | (6,909) |
| Total expenditures | <u>1,340,970</u> | <u>1,340,970</u> | <u>1,192,085</u> | <u>148,885</u> |
| Change in fund balance | - | - | (102,281) | (102,281) |
| Fund balance (deficit), beginning of year | <u>(224,440)</u> | <u>(224,440)</u> | <u>(224,440)</u> | <u>-</u> |
| Fund balance (deficit), end of year | <u>\$ (224,440)</u> | <u>\$ (224,440)</u> | <u>\$ (326,721)</u> | <u>\$ (102,281)</u> |

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

| | <u>Water Fund</u> | <u>Stormwater Fund</u> | <u>Total</u> |
|---------------------------------------|-----------------------|----------------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash | \$ 1,395,341 | \$ 342,147 | \$ 1,737,488 |
| Accounts receivable, net | 934,707 | 93,101 | 1,027,808 |
| Due from other governments | 3,547,780 | 2,886,501 | 6,434,281 |
| Prepaid items | 102,068 | - | 102,068 |
| Total current assets | <u>5,979,896</u> | <u>3,321,749</u> | <u>9,301,645</u> |
| Noncurrent assets | | | |
| Restricted cash | 687,670 | - | 687,670 |
| Capital assets, nondepreciable | 16,956,407 | 8,573,298 | 25,529,705 |
| Capital assets, depreciable, net | 10,988,184 | 2,899,617 | 13,887,801 |
| Total noncurrent assets | <u>28,632,261</u> | <u>11,472,915</u> | <u>40,105,176</u> |
| Total assets | <u>34,612,157</u> | <u>14,794,664</u> | <u>49,406,821</u> |
| Deferred outflows of resources | | | |
| Deferred outflow - OPEB | 5,190 | - | 5,190 |
| Liabilities | | | |
| Current liabilities | | | |
| Payable from current assets | | | |
| Accounts payable | 3,875,715 | 1,141,500 | 5,017,215 |
| Accrued interest payable | 45,337 | - | 45,337 |
| Compensated absences | 14,686 | - | 14,686 |
| Notes payable, due within one year | 953,884 | - | 953,884 |
| Payable from restricted assets | | | |
| Customer deposits | 278,280 | - | 278,280 |
| Total current liabilities | <u>5,167,902</u> | <u>1,141,500</u> | <u>6,309,402</u> |
| Long term liabilities | | | |
| Compensated absences | 11,604 | - | 11,604 |
| Notes payable | 15,414,794 | 6,268,327 | 21,683,121 |
| Total OPEB liability | 23,342 | - | 23,342 |
| Total long-term liabilities | <u>15,449,740</u> | <u>6,268,327</u> | <u>21,718,067</u> |
| Total liabilities | <u>20,617,642</u> | <u>7,409,827</u> | <u>28,027,469</u> |
| Deferred inflows of resources | | | |
| Deferred Inflows - OPEB | 7,021 | - | 7,021 |
| Net position | | | |
| Net investment in capital assets | 11,575,913 | 5,204,588 | 16,780,501 |
| Unrestricted | 2,416,771 | 2,180,249 | 4,597,020 |
| Total net position | <u>\$ 13,992,684</u> | <u>\$ 7,384,837</u> | <u>\$ 21,377,521</u> |

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | <u>Water Fund</u> | <u>Stormwater Fund</u> | <u>Total</u> |
|---|-----------------------|----------------------------|----------------------|
| Operating revenues | | | |
| Charges for services | \$ 5,113,591 | \$ 1,120,536 | \$ 6,234,127 |
| Miscellaneous | 70,264 | 7,098 | 77,362 |
| Total operating revenues | <u>5,183,855</u> | <u>1,127,634</u> | <u>6,311,489</u> |
| Operating expenses | | | |
| Bulk water | 1,761,527 | - | 1,761,527 |
| Depreciation expense | 408,225 | 91,579 | 499,804 |
| Repairs and maintenance | 171,429 | 356 | 171,785 |
| Salaries and benefits | 537,893 | - | 537,893 |
| Insurance | 119,529 | - | 119,529 |
| Power | 44,920 | - | 44,920 |
| Professional services | 48,950 | - | 48,950 |
| Other operating supplies and expenses | 422,388 | 125 | 422,513 |
| Total operating expenses | <u>3,514,861</u> | <u>92,060</u> | <u>3,606,921</u> |
| Operating income | <u>1,668,994</u> | <u>1,035,574</u> | <u>2,704,568</u> |
| Nonoperating revenues (expenses) | | | |
| Interest income | 40,239 | - | 40,239 |
| Interest expense | (93,026) | - | (93,026) |
| Total nonoperating revenues (expenses) | <u>(52,787)</u> | <u>-</u> | <u>(52,787)</u> |
| Income before capital contributions and transfers | <u>1,616,207</u> | <u>1,035,574</u> | <u>2,651,781</u> |
| Capital contributions | - | 500,000 | 500,000 |
| Transfers in | <u>-</u> | <u>450,000</u> | <u>450,000</u> |
| Change in net position | 1,616,207 | 1,985,574 | 3,601,781 |
| Net position, beginning of year | <u>12,376,477</u> | <u>5,399,263</u> | <u>17,775,740</u> |
| Net position, end of year | <u>\$ 13,992,684</u> | <u>\$ 7,384,837</u> | <u>\$ 21,377,521</u> |

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FORT MYERS BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | <u>Water Fund</u> | <u>Stormwater Fund</u> | <u>Total</u> |
|--|-----------------------|----------------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 5,467,376 | \$ 1,087,147 | \$ 6,554,523 |
| Cash paid to suppliers | (1,364,488) | 89,097 | (1,275,391) |
| Cash paid to employees | (522,514) | - | (522,514) |
| Net cash provided by operating activities | <u>3,580,374</u> | <u>1,176,244</u> | <u>4,756,618</u> |
| Cash flows from noncapital financing activities | | | |
| Transfers in | - | 450,000 | 450,000 |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>450,000</u> | <u>450,000</u> |
| Cash flows from capital and related financing activities | | | |
| Principal payment on notes payable | (631,725) | - | (631,725) |
| Proceeds from loan | 5,133,730 | 1,734,483 | 6,868,213 |
| Interest paid | (57,463) | - | (57,463) |
| Proceeds from capital grants and contributions | - | 249,084 | 249,084 |
| Acquisition and construction of capital assets | (7,377,924) | (3,466,325) | (10,844,249) |
| Net cash used in capital and related financing activities | <u>(2,933,382)</u> | <u>(1,482,758)</u> | <u>(4,416,140)</u> |
| Cash flows from investing activities | | | |
| Interest received | 40,239 | - | 40,239 |
| Net change in cash and cash equivalents | 687,231 | 143,486 | 830,717 |
| Cash and cash equivalents, beginning of year | <u>1,395,780</u> | <u>198,661</u> | <u>1,594,441</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,083,011</u> | <u>\$ 342,147</u> | <u>\$ 2,425,158</u> |
| Reconciliation of cash and cash equivalents to statement of net position | | | |
| Cash and cash equivalents | \$ 1,395,341 | \$ 342,147 | \$ 1,737,488 |
| Restricted cash | 687,670 | - | 687,670 |
| Total cash and cash equivalents | <u>\$ 2,083,011</u> | <u>\$ 342,147</u> | <u>\$ 2,425,158</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 1,668,994 | \$ 1,035,574 | \$ 2,704,568 |
| Adjustment to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation expense | 408,225 | 91,579 | 499,804 |
| Decrease (increase) in assets | | | |
| Accounts receivable | 234,512 | 8,522 | 243,034 |
| Prepaid items | (81,679) | - | (81,679) |
| Due from other governments | - | - | - |
| Due from other funds | 49,009 | - | 49,009 |
| Deferred outflow - OPEB | (5,190) | - | (5,190) |
| Increase (decrease) in liabilities | | | |
| Accounts payable | 2,497,944 | 89,578 | 2,587,522 |
| Due to other governments | (1,217,740) | - | (1,217,740) |
| Due to other funds | - | (49,009) | (49,009) |
| Customer deposits | 5,730 | - | 5,730 |
| Compensated absences | 5,186 | - | 5,186 |
| Deferred inflow - OPEB | 4,635 | - | 4,635 |
| Total OPEB liability | 10,748 | - | 10,748 |
| Net cash provided by operating activities | <u>\$ 3,580,374</u> | <u>\$ 1,176,244</u> | <u>\$ 4,756,618</u> |

The accompanying notes to financial statements are an integral part of this statement.

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TOWN OF FORT MYERS BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 1 – 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 conformity 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.

A. Reporting Entity

In evaluation 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.

B. Government-wide and Fund Financial Statements

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the Town's governmental activities and business-type activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position includes non-current assets and non-current liabilities. In addition, the government-wide Statement of Activities reflects depreciation expense on the Town's capital assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The reports the following major governmental funds:

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

TOWN OF FORT MYERS BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **Building Fund (Special Revenue Fund)** is used to account for funds and other resources dedicated to community development.

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

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

The Town reports the following major proprietary funds:

The **Water Fund** is used to account for the activities of the Town's water system.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues, except intergovernmental revenues, to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenues are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term debt, compensated absences and claims and judgments are recorded only when payment is due.

Taxes, licenses and permits, intergovernmental revenue, charges for services, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

TOWN OF FORT MYERS BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's water function and various other functions of the Town. Elimination of these charges would distort the direct costs reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

Cash and Investments

The Town's 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:

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

For accounting and investment purposes, the Town maintains cash and investment pool 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

The accounts receivable of the are recorded net of an 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 financial statements as "internal balances."

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2019, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

Restricted Assets

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

Capital Assets

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

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at their fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Town follows a capitalization policy that calls for the capitalization of all capital assets that have costs of \$1,000 or more and useful lives in excess of one year. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|---------------|
| Buildings and improvements | 10 - 40 years |
| Leasehold improvements | 10 years |
| Equipment | 5 - 10 years |
| Computer equipment | 3 - 10 years |
| Furniture | 3 - 10 years |
| Vehicles and rolling stock | 3 - 10 years |
| Distribution lines | 20 - 25 years |
| Booster stations | 25 years |
| Generators | 10 years |
| Infrastructure | 40 years |

TOWN OF FORT MYERS BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

The Town reports deferred inflows and deferred outflows related to the recording of changes in its total OPEB liability. Certain changes in these liabilities are recognized as OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Town's actuary which adjust the total OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into OPEB expense over the expected remaining service life of plan members. Changes in actuarial assumptions which adjust the total OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining lives of plan members. Additionally, any contributions made by the Town to the OPEB plan before year-end but subsequent to the measurement date of the Town's total OPEB liability are reported as deferred outflows of resources.

In addition to the above OPEB related deferred inflows, the Town also has one other type of these items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenues from certain charges for services and fines and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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.

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.

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.

TOWN OF FORT MYERS BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance/Net Position (Continued)

Fund balances are classified as follows:

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

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

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

Assigned—Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is stipulated by the Town Council or an official for whom that authority has been given by Town Council. The Town Manager has the authority to assign fund balance.

With the exception of the General Fund, amounts in all other governmental funds that are not *nonspendable, restricted or committed* will be considered to be *assigned*. Also, at fiscal year-end, any appropriation of existing fund balance to eliminate a projected budgetary deficit in the next year’s budget is considered to be an assignment of fund balance.

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

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

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

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

- Committed
- Assigned
- Unassigned

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and meet availability criteria. On April 1, any unpaid taxes become delinquent. If the taxes are still unpaid in May, tax certificates are then offered for sale to the general public. The proceeds collected are remitted to the Town. There were no delinquent taxes or uncollected taxes at year end.

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Deficit Fund Balance

The Building Fund reported a deficit of \$73,513. The Town expects the deficit to be funded by future permitting fees charged. The Beach Access Fund reported a deficit of \$326,721. The Town expects the deficit to be recovered from subsequent reimbursement requests from the Tourist Development Council.

Excess of Expenditures over Appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations in the culture and recreation department of the General Fund by \$226,885 and the general government department of the Building Fund by \$208,926.

NOTE 3 – CASH AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. In accordance with its policy, all Town depositories are banks designated by the Florida State Treasurer as qualified public depositories. Chapter 280 of the Florida Statutes, *Florida Security for Public Deposits Act* provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Treasurer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and non-negotiable certificates of deposit.

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

Investments

As of September 30, 2019, the Town had the following investments:

| <u>Investment Type</u> | <u>Percent of Portfolio</u> | <u>Fair Value</u> |
|---|---------------------------------|---------------------|
| Florida Municipal Investment Trust (FMIT) | 79.38% | \$ 1,535,362 |
| SBA Florida PRIME | 20.62% | 398,932 |
| | | <u>\$ 1,934,294</u> |

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 AAf/S3 by Fitch Ratings as of September 30, 2019. The Town's investment policy addresses interest rate risk by requiring that the Town's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity. The weighted average days to maturity (WAM) of the FMIT Intermediate High Quality Bond Fund at September 30, 2019, was 4.3 years.

TOWN OF FORT MYERS BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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 WAM of the Florida PRIME at September 30, 2019, was 37 days and the weighted average life (WAL) was 85 days. The Florida PRIME is rated AAAM by *Standards and Poor's*. The Florida PRIME is administered by SBA under the regulatory oversight of the State of Florida, Chapter 19-7, *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, 2019, 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, 2018 through September 30, 2019.

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, 2019: Intermediate High Quality Bond Fund of \$1.5 million based on market-corroborated date (Level 2).

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at September 30, 2019, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>Accounts Receivable</u> | <u>Due from Other Governments</u> | <u>Less Allowance for Doubtful Accounts</u> | <u>Total</u> |
|-----------------------------------|--------------------------------|---|---|---------------------|
| Governmental activities | | | | |
| General Fund | \$ 12,154 | \$ 228,733 | \$ - | \$ 240,887 |
| Gas Tax Fund | - | 36,048 | - | 36,048 |
| Beach Access | 221,209 | - | - | 221,209 |
| Governmental activities subtotal | <u>233,363</u> | <u>264,781</u> | <u>-</u> | <u>498,144</u> |
| Business-type activities | | | | |
| Water Fund | 989,459 | 3,547,780 | (54,752) | 4,482,487 |
| Stormwater | 93,101 | 2,886,501 | - | 2,979,602 |
| Business-type activities subtotal | <u>1,082,560</u> | <u>6,434,281</u> | <u>(54,752)</u> | <u>7,462,089</u> |
| Total | <u>\$ 1,315,923</u> | <u>\$ 6,699,062</u> | <u>\$ (54,752)</u> | <u>\$ 7,960,233</u> |

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At September 30, 2019, the Town reported the following due from/to other funds:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|--------------|---------------------------------|-------------------------------|
| General | \$ 752,100 | \$ - |
| Beach Access | - | 679,555 |
| Building | - | 72,545 |
| Total | <u>\$ 752,100</u> | <u>\$ 752,100</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, 2019, the Town reported the following interfund transfers:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------|-------------------------|--------------------------|
| General | \$ - | \$ 971,825 |
| Gas Tax | 100,000 | 425,000 |
| Capital Projects | 846,825 | - |
| Stormwater | 450,000 | - |
| Total | <u>\$ 1,396,825</u> | <u>\$ 1,396,825</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.

These transfers from the General Fund and Gas Tax Fund were used to assist other funds in meeting operating requirements and funding capital projects for the year ended September 30, 2019.

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

| | Beginning Balance | Additions | Deletions | Transfers | Ending Balance |
|---|------------------------------|---------------------|--------------------|------------------|---------------------------|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 10,536,780 | \$ - | \$ - | \$ - | \$ 10,536,780 |
| Total capital assets, not being depreciated | 10,536,780 | - | - | - | 10,536,780 |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 8,417,532 | 14,418 | - | - | 8,431,950 |
| Improvements other than buildings | 1,993,981 | 380,581 | (2,960) | - | 2,371,602 |
| Office furniture and equipment | 1,034,438 | 18,145 | (3,897) | - | 1,048,686 |
| Vehicles and other equipment | 2,101,746 | 486,583 | (165,795) | - | 2,422,534 |
| Infrastructure | 5,288,592 | 41,580 | - | - | 5,330,172 |
| Total capital assets, being depreciated | 18,836,289 | 941,307 | (172,652) | - | 19,604,944 |
| Less accumulated depreciation for | | | | | |
| Buildings and improvements | 1,580,038 | 286,734 | - | - | 1,866,772 |
| Improvements other than buildings | 492,264 | 181,420 | (74) | - | 673,610 |
| Office furniture and equipment | 685,723 | 112,077 | (3,897) | - | 793,903 |
| Vehicles and other equipment | 1,349,813 | 335,746 | (124,326) | - | 1,561,233 |
| Infrastructure | 1,429,725 | 188,074 | - | - | 1,617,799 |
| Total accumulated depreciation | 5,537,563 | 1,104,051 | (128,297) | - | 6,513,317 |
| Total capital assets, being depreciated, net | 13,298,726 | \$ (162,744) | (44,355) | - | 13,091,627 |
| Governmental activities capital assets, net | <u>\$ 23,835,506</u> | <u>\$ (162,744)</u> | <u>\$ (44,355)</u> | <u>\$ -</u> | <u>\$ 23,628,407</u> |

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Additions | Deletions | Transfers | Ending Balance |
|--|------------------------------|---------------------|------------------|------------------|---------------------------|
| Business-type Activities | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 305,000 | \$ - | \$ - | \$ - | \$ 305,000 |
| Construction in progress | 14,437,587 | 10,787,118 | - | - | 25,224,705 |
| Total capital assets, not being depreciated | <u>14,742,587</u> | <u>10,787,118</u> | <u>-</u> | <u>-</u> | <u>25,529,705</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 | 127,246 | - | - | (127,246) | - |
| Buildings and leasehold improvements | - | - | - | 1,137,739 | 1,137,739 |
| Vehicles and other equipment | - | 57,131 | - | 291,608 | 348,739 |
| Infrastructure | 3,180,053 | - | - | 13,965,551 | 17,145,604 |
| Total capital assets, being depreciated | <u>18,637,926</u> | <u>57,131</u> | <u>-</u> | <u>-</u> | <u>18,695,057</u> |
| Less accumulated depreciation for | | | | | |
| Computer equipment | 62,924 | 51 | - | - | 62,975 |
| South Booster Station | 284,601 | - | - | (284,601) | - |
| North Booster Station | 190,316 | - | - | (190,316) | - |
| North Estero | 318,780 | - | - | (318,780) | - |
| Distribution lines | 3,002,792 | - | - | (3,002,792) | - |
| Seawall | 36,925 | - | - | (36,925) | - |
| Vehicles | 45,802 | - | - | (45,802) | - |
| Generators | 94,648 | - | - | (94,648) | - |
| Equipment | 30,728 | - | - | (30,728) | - |
| Buildings and leasehold improvements | - | 48,484 | - | 474,916 | 523,400 |
| Vehicles and other equipment | - | 42,892 | - | 171,179 | 214,071 |
| Infrastructure | 239,936 | 408,377 | - | 3,358,497 | 4,006,810 |
| Total accumulated depreciation | <u>4,307,452</u> | <u>499,804</u> | <u>-</u> | <u>-</u> | <u>4,807,256</u> |
| Total capital assets, being depreciated, net | 14,330,474 | (442,673) | - | - | 13,887,801 |
| Business-type activities capital assets, net | <u>\$29,073,061</u> | <u>\$10,344,445</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$39,417,506</u> |

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

| | |
|--|--------------|
| Governmental Activities | |
| General government | \$ 607,811 |
| Transportation | 6,182 |
| Physical environment | 177,368 |
| Culture and recreation | 312,690 |
| Total depreciation expense, governmental activities | \$ 1,104,051 |
| Business-type Activities | |
| Water | \$ 408,225 |
| Stormwater | 91,579 |
| Total depreciation expense, business-type activities | \$ 499,804 |

NOTE 7 – LONG-TERM OBLIGATIONS

Long-term Obligations

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------------|----------------------|--------------|--------------|-------------------|------------------------|
| Governmental Activities | | | | | |
| Compensated absences | \$ 208,990 | \$ 198,735 | \$ (175,249) | \$ 232,476 | \$ 177,878 |
| Capital lease payable | - | 49,486 | (711) | 48,775 | 8,813 |
| Total OPEB liability | 114,875 | 67,420 | (34,128) | 148,167 | - |
| | \$ 323,865 | \$ 315,641 | \$ (210,088) | \$ 429,418 | \$ 186,691 |
| Business-type Activities | | | | | |
| Utility revenue refunding bonds | \$ 1,080,000 | \$ - | \$ (180,000) | \$ 900,000 | \$ 180,000 |
| Notes payable from direct borrowings: | | | | | |
| State revolving fund loans | 10,541,062 | 11,647,668 | (451,725) | 21,737,005 | 773,884 |
| Compensated absences | 21,104 | 19,655 | (14,469) | 26,290 | 14,686 |
| Total OPEB liability | 12,594 | 10,975 | (227) | 23,342 | - |
| | \$11,654,760 | \$11,678,298 | \$ (646,421) | \$22,686,637 | \$ 968,570 |

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

Business-type Activities

\$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. The outstanding balance as of September 30, 2019, was \$900,000.

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Notes Payable from Direct Borrowings:

\$17,148,027 State Revolving Fund Loan – issued for the purpose of funding the water main improvement projects. The loan bears interest ranging from 0.92% 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 of at the completion of the project. The outstanding balance as of September 30, 2019, including amounts receivable for eligible expenses was \$15,468,679.

\$10,111,190 State Revolving Fund Loan – issued for the purpose of funding the stormwater management system project. The loan bears interest ranging from 0.77% to 0.98%, 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 of at the completion of the project. The outstanding balance as of September 30, 2019, including amounts receivable for eligible expenses was \$6,268,326.

The annual debt service requirements to maturity for the business-type activities (including estimated amounts due for the two SRF loans) as of September 30, 2019, are as follows:

| | Principal | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 2020 | \$ 953,884 | \$ 132,127 | \$ 1,086,011 |
| 2021 | 1,183,217 | 224,901 | 1,408,118 |
| 2022 | 1,204,960 | 199,899 | 1,404,859 |
| 2023 | 1,214,982 | 186,619 | 1,401,601 |
| 2024 | 1,225,120 | 173,224 | 1,398,344 |
| 2025-2029 | 5,381,788 | 701,786 | 6,083,574 |
| 2030-2034 | 5,653,316 | 430,257 | 6,083,573 |
| 2035-2039 | 5,819,738 | 143,525 | 5,963,263 |
| | \$22,637,005 | \$ 2,192,338 | \$24,829,343 |

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, 2019.

NOTE 8 – CAPITAL LEASE

The Town has entered into a lease agreement for the financing of various mower equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

| | Governmental Activities |
|--------------------------------|------------------------------------|
| Mowing equipment | \$ 49,486 |
| Less: accumulated depreciation | (1,658) |
| Total | \$ 47,828 |

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 – CAPITAL LEASE (CONTINUED)

The future minimum lease obligations and the net present value of these lease payments as of September 30, 2019, for governmental activities are as follows:

| <u>Fiscal Year</u> | |
|---|------------------|
| 2020 | \$ 11,449 |
| 2021 | 11,449 |
| 2022 | 11,449 |
| 2023 | 11,449 |
| 2024 | <u>10,494</u> |
| Total minimum lease payments | 56,290 |
| Less: amount representing interest | <u>(7,515)</u> |
| Present value of minimum lease payments | <u>\$ 48,775</u> |

NOTE 9 – RETIREMENT PLAN

The Town sponsors a defined contribution pension plan entitled the Town of Fort Myers Beach Pension Plan (Plan 002) as well as a governmental 457(b) plan entitled the Town of Fort Myers Beach Deferred Compensation Plan (Plan 001). Plan 001 covers eligible regular full-time and part-time employees, while Plan 002 covers only eligible regular full-time employees.

The Plans are being administered by the Town, and administrative services are being provided by a third party under an Administrative Services Agreement. Effective April 1, 2019, the Town switched service providers (from Valic to Massachusetts Mutual Life Insurance Company), while simultaneously adopting restated plan documents and reducing the employer contribution for Plan number 002 from 10% to 4% of an employee's Code §415 Compensation. However, under a "grandfather" provision in Plan number 002, employees who were in full-time status prior to April 1, 2019, and who remain in full-time status onwards without a break in service, will remain eligible for a 10% employer contribution. Plan number 001 is funded only by voluntary employee contributions. Employee and employer contributions vest 100% to the employee upon contribution to the Plans.

For the year ended September 30, 2019, employer contributions to Plan number 002 was \$225,997.

NOTE 10 – SELF-INSURANCE

On October 1, 2018, the Town became a member of the Florida Local Government Health Insurance Consortium ("the Consortium"). The Consortium is a public entity risk pool organized under the provision of the Florida Interlocal Cooperation Act of 1969 with the objective of obtaining preferential pricing on health care services and diversification of self-insurance risk. The Consortium's membership is comprised of county and municipal governments located in Florida.

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 10 – SELF-INSURANCE (CONTINUED)

The Consortium is fully funded by its members. Each member funds their claim liability separately. Stop loss insurance levels are set up for each member to cap their claim liability. Each member's rates, as determined by actuarial calculation, are generated based on their own benefits, census, and experience. Additionally, members pledge a percentage of their claim fund surplus towards a cross share arrangement which creates a pool of money used to pay claims on behalf of members whose total claims for the year exceed their maximum claim fund for the year. This arrangement keeps the stop loss costs lower for every member and creates equity within the group by recognizing variations in the size of member communities and their varying risk retention levels (a projected distribution amount of \$12,512 to the Town for the year ended September 30, 2019). In the event of a shortfall, members must fund the difference. For this purpose, the Town has created a budgetary reserve of \$100,000 for the year ended September 30, 2020.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description and Funding Policy

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

As of September 30, 2018, there were 45 active plan members, there were no inactive retirees and eligible dependents receiving post-employment healthcare benefits, and there were no inactive employees entitled to but not yet receiving benefits.

Contribution requirements for the post-employment healthcare benefits of the Town are established and may be amended by Town Council. The Town has not advance funded or established a funding methodology for the annual other post-employment benefit (OPEB) costs or the net OPEB obligation. Currently, retirees pay 100% of the cost of the healthcare insurance premiums. The Town's actuarially required contributions are based on a projected pay-as-you-go basis. Therefore, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Total OPEB Liability of the Town

The Town's total OPEB liability was measured as of September 30, 2018, and was determined by an actuarial valuation as of October 1, 2017, with the actuary using standard techniques to roll forward the liability to the measurement date.

Actuarial Assumptions. The total OPEB liability in the October 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------|-------|
| Inflation Rate: | 2.50% |
| Salary Increase: | 3.00% |
| Discount Rate: | 3.64% |
| Initial Trend Rate: | 7.00% |
| Ultimate Trend Rate: | 5.00% |
| Years to Ultimate: | 4 |
| Participation Rate: | 80% |

TOWN OF FORT MYERS BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

For general employees, mortality rates were based on the RP-2000 mortality tables. For female lives, 100% of the white-collar table was used. For male lives, a 50% white collar table, 50% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled lives, mortality rates were based on the RP-2000 sex-distinct disabled mortality tables with female lives set forward two years, male lives set back four years. Disabled mortality has not been adjusted for mortality improvements.

For police and fire employees, mortality rates were also based on various RP-2000 mortality tables. For female lives, 100% of the white-collar table was used. For male lives, a 10% white collar table, 90% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled female lives, a blend of 60% of the RP-2000 disabled female mortality table set forward two years and 40% of the white-collar table with no setback was used. For disabled male lives, a blend of 60% of the RP-2000 disabled male mortality table set back four years and 40% of the white-collar table with no setback was used. Disabled mortality has not been adjusted for mortality improvements.

Discount Rate:

Given the Town's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.64%. The high quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes in the Total OPEB Liability of the Town. The changes in the total OPEB liability of the Town for the year ended September 30, 2019, were as follows:

| Total OPEB Liability | |
|--|-------------------|
| Service Cost | \$ 31,025 |
| Interest | 5,735 |
| Change in Benefit Terms | - |
| Differences Between Expected and Actual Experience | (32,437) |
| Employer Contributions | - |
| Changes of Assumptions | 41,636 |
| Benefit Payments | <u>(1,919)</u> |
| Net Change in Total OPEB Liability | 44,040 |
| | |
| Total OPEB Liability - Beginning | <u>127,469</u> |
| Total OPEB Liability - Ending | <u>\$ 171,509</u> |

Changes in assumptions reflect a change in the discount rate from 3.35% for the reporting period ended September 30, 2018, to 3.64% for the reporting period ended September 30, 2019.

The required schedule of changes in the Town's total OPEB liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about the total OPEB liability.

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate:

| | 2.64% Discount Rate | 3.64% Discount Rate | 4.64% Discount Rate |
|----------------------|------------------------|------------------------|------------------------|
| Total OPEB Liability | \$ 194,520 | \$ 171,509 | \$ 151,848 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | Trend Rate Minus 1% | 7.00% Graded Down to 5.00% | Trend Rate Plus 1% |
|----------------------|------------------------|-------------------------------|-----------------------|
| Total OPEB Liability | \$ 143,009 | \$ 171,509 | \$ 207,859 |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2019, and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB. For the year ended September 30, 2019, the Town recognized OPEB expense of \$45,959. At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 32,437 |
| Change of assumptions | 38,131 | 19,151 |
| | \$ 38,131 | \$ 51,588 |

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending | |
|--------------------|-------------|
| 2020 | \$ (2,692) |
| 2021 | (2,692) |
| 2022 | (2,691) |
| 2023 | (2,691) |
| 2024 | (2,691) |
| | \$ (13,457) |

TOWN OF FORT MYERS BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 12 – 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 three 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, 2019, 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 floor insurance for Town owned buildings. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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 the original funding amount of \$969,230 plus interest at 12% per annum.

The Town is a defendant in various 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.

On December 1, 2016, the Town entered into a contract 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, 2019, were \$88,000.

TOWN OF FORT MYERS BEACH, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019 |
|--------------------|---|-----------------|---|
| Tetra Tech: | | | |
| STA3 | Tier I Storm Water | \$ 401,522 | \$ 127,205 |
| STA13 | Phase 2 Water and Stormwater | 546,501 | 223,537 |
| STA15 | Phase 2-4 Water | 1,960,476 | 1,440,236 |
| STA19 | Phase 2 Outfalls | 465,237 | 394,441 |
| STA20 | Remaining Side Streets Water | 878,735 | 416,622 |
| STA21 | Remaining Side Streets Stormwater | 393,578 | 352,333 |
| STA22 | Phase III Side Streets | 142,940 | 116,812 |
| STA32 | Phase 4 Eagle Monitoring | 24,727 | - |
| STA10 | Phase 3 Joint Outfalls Public Involvement | 15,000 | - |
| STA16 | Contractor Pre-Qualification | 6,000 | - |
| STA20 | Phase 4 Outfall Streets | 90,379 | - |
| Mitchell & Stark: | | | |
| Amendment 6 | Phase I Estero Blvd | 4,496,592 | 4,197,975 |
| Amendment 8 | Phase II Estero Blvd | 5,893,756 | 4,852,638 |
| Amendment 1 | Phase IIIA | 6,217,774 | 1,920,092 |
| ITB-17-24-PW | Side Streets - Water & Stormwater | 13,239,961 | 9,603,463 |
| Amendment 9 | Phase IIIB | 4,882,993 | 361,539 |
| Amendment 10 | Phase IV | 10,420,193 | - |

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

NOTE 15 – SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through April 13, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID- 19 coronavirus, economic uncertainties have arisen which are likely to negatively impact certain Town revenues in 2020. Other financial impact could occur though such potential impact is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF FORT MYERS BEACH, FLORIDA

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
SEPTEMBER 30, 2019**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | |
| Service cost | \$ 31,025 | \$ 23,443 | \$ 21,172 |
| Interest | 5,735 | 5,008 | 2,777 |
| Change in benefit terms | - | - | - |
| Differences between expected and actual experience | (32,437) | (8,725) | - |
| Employer contributions | - | (1,220) | - |
| Changes of assumptions | 41,636 | (17,690) | - |
| Benefit payments | (1,919) | - | (187) |
| Net change in total OPEB liability | <u>44,040</u> | <u>816</u> | <u>23,762</u> |
| | | | |
| Total OPEB liability - beginning | 127,469 | 126,653 | 102,891 |
| Total OPEB liability - ending | <u>\$ 171,509</u> | <u>\$ 127,469</u> | <u>\$ 126,653</u> |
| | | | |
| Covered-employee payroll | <u>\$ 2,118,269</u> | <u>\$ 2,002,493</u> | <u>\$ 2,152,467</u> |
| | | | |
| OPEB liability as a percentage of covered-employee payroll | <u>8.10%</u> | <u>6.37%</u> | <u>5.88%</u> |

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

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

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OTHER SUPPLEMENTARY INFORMATION

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**TOWN OF FORT MYERS BEACH, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019**

| | Special Revenue Funds | | Nonmajor Governmental Funds |
|--|------------------------------|------------------------|--|
| | Park Impact | Road Impact | |
| Assets | | | |
| Cash | \$ 138,074 | \$ 955,542 | \$ 1,093,616 |
| Total assets | <u>\$ 138,074</u> | <u>\$ 955,542</u> | <u>\$ 1,093,616</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 5,953 | \$ 5,953 |
| Total liabilities | <u>-</u> | <u>5,953</u> | <u>5,953</u> |
| Fund balances | | | |
| Restricted | | | |
| Parks and recreation | 138,074 | - | 138,074 |
| Transportation | - | 949,589 | 949,589 |
| Total fund balances | <u>138,074</u> | <u>949,589</u> | <u>1,087,663</u> |
| Total liabilities and fund balances | <u>\$ 138,074</u> | <u>\$ 955,542</u> | <u>\$ 1,093,616</u> |

**TOWN OF FORT MYERS BEACH, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

| | Special Revenue Funds | | Nonmajor Governmental Funds |
|---|------------------------------|--------------------------|--|
| | Park Impact | Road Impact | |
| Revenues | | | |
| Impact fees | \$ 12,461 | 44,903 | \$ 57,364 |
| Investment income | - | 16,445 | 16,445 |
| Total revenues | <u>12,461</u> | <u>61,348</u> | <u>73,809</u> |
| Expenditures | | | |
| Capital outlay | - | 23,968 | 23,968 |
| Total expenditures | <u>-</u> | <u>23,968</u> | <u>23,968</u> |
| Change in fund balances | 12,461 | 37,380 | 49,841 |
| Fund balances, beginning of year | <u>125,613</u> | <u>912,209</u> | <u>1,037,822</u> |
| Fund balances, end of year | <u><u>\$ 138,074</u></u> | <u><u>\$ 949,589</u></u> | <u><u>\$ 1,087,663</u></u> |

OTHER REPORTS

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INDEPENDENT AUDITOR'S 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, Town Council and Town Manager
Town of 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 13, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompany Schedule of Findings and Questioned Costs as item 2019-001 that we consider to be a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item number 2019-002.

Town's Response to Findings

The Town's response 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 the 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida
April 13, 2020



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

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

Report on Compliance for Each Major Federal Program and State Project

We have audited the Town of Fort Myers Beach, Florida's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *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, 2019. The Town's major federal programs and state projects are identified in the summary of auditor's 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 and state awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs and state projects 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; 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*. Those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General* 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 and state project. 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, 2019.

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 our 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, *Rules of the Auditor General*, 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 or state project 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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Bradenton, Florida
April 13, 2020

Mauldin & Jenkins, LLC

TOWN OF FORT MYERS BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| Federal/State Agency, Pass-through Entity, Federal/State Program | CFDA/ CSFA No. | Grantors No. | Expenditures | Passed Through to Subrecipients |
|---|-------------------|-------------------|----------------------------|------------------------------------|
| Federal Awards: | | | | |
| U.S. Department of Environmental Protection | | | | |
| Passed through Florida Dept of Environmental Protection | | | | |
| Capitalization Grants for Drinking Water SRF | 66.468 | DW360800 - 140129 | \$ 5,688,205 | \$ - |
| Total U.S. Department of Environmental Protection | | | <u>5,688,205</u> | <u>-</u> |
| U.S. Department of Housing and Urban Development | | | | |
| CDBG Grant - After School and Summer Camp | 14.218 | 8321 | 17,520 | - |
| Total U.S. Department of Housing and Urban Development | | | <u>17,520</u> | <u>-</u> |
| U.S. Department of Homeland Security | | | | |
| Passed through Florida Department of Emergency Management | | | | |
| Disaster Assistance Grants - Hurricane IRMA | 97.036 | DR-4337-FL | 579,953 | - |
| Total U.S. Department of Homeland Security | | | <u>579,953</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 6,285,678</u> | <u>\$ -</u> |
| State Awards: | | | | |
| State of Florida Department of Environmental Protection | | | | |
| Wastewater Treatment Facility Construction | 37.077 | SW360830-140131 | \$ 2,619,016 | \$ - |
| Beach-Stormwater Outfall Improvements | 37.039 | LP36084 | 500,000 | - |
| Total State of Florida Department of Environmental Protection | | | <u>3,119,016</u> | <u>-</u> |
| State of Florida Department of Emergency Management | | | | |
| Disaster Grants - Hurricane IRMA | 31.067 | DR-4337-FL | 31,472 | - |
| Total State of Florida Department of Emergency Management | | | <u>31,472</u> | <u>-</u> |
| Total Expenditures of State Financial Assistance | | | <u>\$ 3,150,488</u> | <u>\$ -</u> |

**TOWN OF FORT MYERS BEACH, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of the Town of Fort Myers Beach, Florida (the "Town"), and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. DE MINIMIS INDIRECT COST RATE

The Town chose not to use the ten percent de minimis cost rate for the year ended September 30, 2019.

NOTE 3. NON-CASH AWARDS

The Town did not receive non-cash federal awards during the year ended September 30, 2019.

NOTE 4. CONTINGENCIES

Grant monies received and disbursed by the Town are for specific purposes and are subject to review by the grantor agencies. Such audits may result in disallowed expenditures under the terms of the grants. Based upon prior experience, the Town does not believe that such disallowances, if any, would be material.

NOTE 5. LOANS OUTSTANDING

The Town had \$21,737,006 in State Revolving Fund loans outstanding at September 30, 2019.

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? X yes no

Significant deficiencies identified not considered
to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Programs

Internal Control over major federal programs:
Material weaknesses identified? yes X no

Significant deficiencies identified not considered
to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for
major federal programs Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform Guidance? yes X no

Identification of major federal program:

| | |
|-------------|--|
| CFDA Number | Name of Federal Program or Cluster |
| 66.468 | U.S. Environmental Protection Agency – Capitalization Grants for Drinking Water-SRF |

Identification of major state financial assistance project:

| | |
|-------------|--|
| CSFA Number | Name of Federal Program or Cluster |
| 37.077 | Florida Department of Environmental Protection – Wastewater Treatment Facility Construction |

Dollar threshold used to distinguish between
Type A and Type B federal programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

2019-001 Year-End Close Process (Material Weakness)

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, 2019, was ineffective to meet these objectives. The Town was unable to close its books and generate year-end reports in a timely manner. Additionally, the Town provided us with over 60 adjusting journal entries subsequent to the start of our auditing procedures.

Cause: The Town now has the personnel in place to prepare proper reconciliations and adjustments to provide accurate financial reporting. However, procedures and processes were not in place to properly and timely perform these functions throughout the year and at year-end.

Effect: A significant number of entries across all funds adjusting the books of the Town had to be made by the Town subsequent to the start of our audit. Accurate monthly financial information is thus not being provided to Town officials in which to make sound financial decisions on a timely basis.

Recommendation: We recommend the Town implement policies and procedures to ensure that supervisory review of the monthly and year-end trial balance is adequately and accurately performed. In addition, management should implement monthly and annual 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 and accurate close.

Views of Responsible Officials and Planned Corrective Actions:

During the first half of fiscal year 2019, the Finance Department was still in recovery mode from replacing almost its entire accounting staff and conducting a conversion to a new accounting system. This in turn, was a contributing factor for the major delays in the 2018 audit, which was not completed until June 2019. By the final quarter of fiscal year 2019, great progress had been made by staff in reducing significant backlogs in work, implementing more efficient processes, and enhancing internal controls. At year-end, ambitious goals were set to have field work on the 2019 audit start very early (mid-December 2019), while simultaneously starting another conversion project transitioning from manually kept fixed asset spreadsheets to a new fixed asset software module. Unfortunately, difficulty in hiring and retaining additional qualified staff to support this project resulted in the completion of this project being delayed several weeks beyond the start of audit field work. This meant that all fixed assets, accumulated depreciation, and depreciation expense could not be recorded (retro-actively to fiscal year 2019) into the new software module until early January. Even though the Town does not dispute the general findings of the auditor for this item, it is the Finance Director's firm believe that if a less ambitious date for the start of audit field work had been set, the auditor would have probably come to a much more favorable conclusion.

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

2019-002 Compliance with State Statute and Town Investment Policy (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 during the year ended September 30, 2019.

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 as required.

Effect: The Town is out of compliance with State Statute and its own 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:

Due to the timing of the issuance of the final report for 2018, all necessary continuing education courses were not yet taken and completed by September 30, 2019. The Town concurs with the recommendation and anticipates obtaining the full amount of required continuing education by September 30, 2020, or changing the Town investment policy to remove the training requirement.

2019-003 Wire Transfer Policy (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 of the Town.

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 and update them whenever necessary.

Views of Responsible Officials and Planned Corrective Actions:

The Town concurs with the recommendation and will update the Wire Transfer Policy as soon as possible.

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

**SECTION III
FEDERAL PROGRAMS FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV
STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

None noted.

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

**SECTION V
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

2018-001 Audit Adjustments

Condition: As part of the audit, the prior auditor 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.

Status: Resolved.

2018-002 Year-End Close Process

Condition: 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. 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.

Status: Repeated as finding number 2019-001.

2018-003 Consideration of Information Technology Controls

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.

Status: Resolved.

2018-004 Security for Public Deposits

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.

Status: Resolved.

2018-005 Compliance with State Statute and Town Investment Policy

Condition: 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.

**TOWN OF FORT MYERS BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

**SECTION V
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)**

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.

Status: Repeated as finding number 2019-002.

2018-006 Schedule of Expenditures of Federal Awards and State Financial Assistance

Condition: The Town did 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.

Status: Resolved.

2018-007 Cash Management

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

Status: Resolved.

2018-008 Wire Transfer Policy

Condition: Policies and procedures should be reviewed and updated on a timely basis. Current operating procedures for wire transfers do not align with the written policy. The policy has not been updated to reflect changes in the financial institution's procedures for processing wire transfers.

Status: Repeated as finding number 2019-003.

2018-009 Reporting

Condition: 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 Departments Grant Manager no later than twenty (20) days following the completion of the reporting period. During the prior audit testing, it was noted 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.

Status: Resolved.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor, Town Council and Town Manager
Town of 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, 2019, and have issued our report thereon dated April 13, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's 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*; Independent Auditor's 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 Accountant's 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 these reports, which are dated April 13, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of findings and recommendations made in the preceding financial audit report is listed within the Schedule of Findings and Questioned Costs, Section V.

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

Sections 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. 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 2019-003.

Special District Component Units

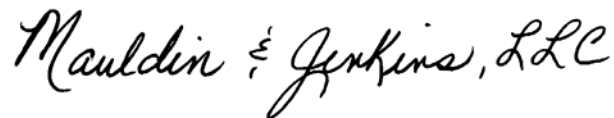
Section 10.554(1)(i)5.c, *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, 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*, require us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note 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 Mayor and Members of 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.



Bradenton, Florida
April 13, 2020



INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the 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, 2019. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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.

Bradenton, Florida
April 13, 2020

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

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