

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORTS**

**CITY OF FORT MEADE  
FORT MEADE, FLORIDA**

**SEPTEMBER 30, 2007**

**CITY OF FORT MEADE, FLORIDA  
PRINCIPAL CITY OFFICIALS**

**SEPTEMBER 30, 2007**

**CITY COMMISSION**

**Mayor, Commissioner**

Melony Bell

**Vice-Mayor, Commissioner**

Robert Elliott

**Commissioner**

Rick Cochrane

**Commissioner**

James Watts

**Commissioner**

Maurice Nelson

**APPOINTED OFFICIALS**

**City Manager**

Fred Hilliard

**City Attorney**

Gray Robinson

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORTS**

**CITY OF FORT MEADE  
FORT MEADE, FLORIDA**

**SEPTEMBER 30, 2007**

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**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORTS**

**CITY OF FORT MEADE  
FORT MEADE, FLORIDA**

**SEPTEMBER 30, 2007**

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# **INDEPENDENT AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Commissioners  
City of Fort Meade  
Fort Meade, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Meade, Florida (the City), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Certified Public Accountants**

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners  
City of Fort Meade  
Fort Meade, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, the other supplementary information, and the schedule of expenditures of federal awards and state financial assistance as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Purvis, Gray and Company, LLP*

April 30, 2008  
Sarasota, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**

As management of the City of Fort Meade, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the activities of the City for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 15.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$16,580,103 (net assets). Of this amount, \$4,261,395 (unrestricted net assets) may be used to meet government's obligations to provide ongoing services to our citizens, customers and creditors, or to establish reserves for emergencies or catastrophic events.
- The government's total net assets increased by \$169,183 during 2007, or just over 1%. Net assets of governmental activities decreased by 1.4% while net assets of business-type activities increased 2.7%.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,361,593, an increase of \$34,570 for the year. Of this total amount, \$1,043,532 is available for spending at the City's discretion (unreserved fund balance).

**Overview of the Financial Statements**

This management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) notes to the financial statements; and 3) fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents revenue and expenses and shows how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported in a manner similar to the approach used by a private sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, law enforcement, fire control, building inspections, roads and streets, economic environment, library, recreation and parks. In addition, for the current and prior fiscal years, a line for the hurricane costs and revenues has been added to the statement of activities. The business-type activities of the City include electric, water and sewer, stormwater, natural gas, mobile home park, and solid waste.

The City's government-wide financial statements can be found on pages 15-16 of this report.

### **Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements. The City's fund financial statements are divided into three categories: 1) governmental funds; 2) proprietary funds; and 3) fiduciary funds.

#### ***Governmental Funds***

Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. The statement of revenues, expenditures and changes in fund balances for governmental funds reports only those revenues and expenditures that were collected or paid during the current period or very shortly after the end of the year.

For the most part, the balances and activities accounted for in the governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because of the difference in accounting basis used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities' column on the statement of net assets. Also, there is an analysis after the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities' column in the statement of activities.

The City presents, in separate columns funds, that are most significant to the City (major funds) and, all other governmental funds are aggregated and reported in a single column (nonmajor funds). Individual data for these nonmajor funds is presented in the form of combining statements elsewhere in this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

The City's governmental fund financial statements are presented on pages 17-20.

***Proprietary Funds***

Proprietary fund financial statements consist of a statement of net assets, statement of revenues, expenses, and changes in net assets and statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds and Internal Service Funds.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water and sewer utility, stormwater, natural gas, mobile home park, and solid waste. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses separate internal service funds to account for fleet maintenance and central warehouse. The activities of the internal service funds have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 21-25 of this report.

***Fiduciary Funds***

Fiduciary fund financial statements consist of a statement of plan net assets and a statement of changes in plan net assets. Assets held by the City for other parties, either as a trustee or as an agent, and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City reports pension trust funds that present the results of three defined benefit pension plans as fiduciary funds.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

**Note to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-54 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees, as well as budgetary comparison information for the general fund and major special revenue funds. Required supplementary information can be found on pages 55-60 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

Combining statements of the nonmajor governmental and enterprise funds are presented immediately following the required supplementary information on pages 61-69. Additional information and reports follow the combining statements to illustrate compliance with secondary bond market disclosures, bond covenants, the Federal and Florida Single Audit Acts (when applicable), and *Government Auditing Standards*.

**Government-Wide Financial Analysis**

This section contains a comparative analysis of the changes in net assets and a comparison of revenues and expenses with explanations for significant differences.

The following schedule is a summary of the Statement of Net Assets found on page 15 of this report:

Net Assets at September 30, 2007						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 1,982,030	\$ 1,928,410	\$ 4,331,130	\$ 4,432,515	\$ 6,313,160	\$ 6,360,925
Capital Assets, Net	5,699,475	5,947,064	12,932,695	12,982,214	18,632,170	18,929,278
<b>Total Assets</b>	7,681,505	7,875,474	17,263,825	17,414,729	24,945,330	25,290,203
Current and Other Liabilities	317,212	308,139	829,146	794,567	1,146,358	1,102,706
Long-term Debt Outstanding	688,467	798,371	6,530,402	6,978,206	7,218,869	7,776,577
<b>Total Liabilities</b>	1,005,679	1,106,510	7,359,548	7,772,773	8,365,227	8,879,283
<b>Net Assets</b>						
Investment in Capital Assets,						
Net of Related Debt	5,165,112	5,296,626	6,562,173	6,464,125	11,727,285	11,760,751
Restricted	27,100	13,206	564,323	317,395	591,423	330,601
Unrestricted	1,483,614	1,459,132	2,777,781	2,860,436	4,261,395	4,319,568
<b>Total Net Assets</b>	\$ 6,675,826	\$ 6,768,964	\$ 9,904,277	\$ 9,641,956	\$ 16,580,103	\$ 16,410,920

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$16,580,103 at the close of the most recent fiscal year. The overall financial position of the City was improved by \$169,183 from the prior year, an increase of just over 1% from \$16.4 million in 2006 to \$16.6 million in 2007.

A substantial portion of the City's net assets (71%) reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

A small portion of the City's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,261,395) may be used to meet the government's ongoing obligations to citizens and creditors.

The following is a summary of the information presented in the Statement of Activities found on page 16 of this report:

<b>Changes in Net Assets</b>						
<b>For the Year Ended September 30, 2007</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 281,784	\$ 306,212	\$ 8,134,996	\$ 8,011,760	\$ 8,416,780	\$ 8,317,972
Operating Grants and Contributions	146,905	122,748			146,905	122,748
Capital Grants and Contributions	108,862	649,062	206,328	1,076,465	315,190	1,725,527
General Revenues:						
Property Taxes	406,070	334,559			406,070	334,559
Other Taxes	1,220,067	1,225,977			1,220,067	1,225,977
Other	765,754	794,556	145,459	104,812	911,213	899,368
<b>Total Revenues</b>	<b>2,929,442</b>	<b>3,433,114</b>	<b>8,486,783</b>	<b>9,193,037</b>	<b>11,416,225</b>	<b>12,626,151</b>
<b>Expenses</b>						
Governmental Activities:						
General Government	742,325	558,747			742,325	558,747
Law Enforcement	1,324,446	1,280,447			1,324,446	1,280,447
Fire Control	214,165	243,561			214,165	243,561
Building Inspections	98,419	94,105			98,419	94,105
Hurricanes	129,787	904,791			129,787	904,791
Road and Street	460,167	470,551			460,167	470,551
Economic Environment	28,750	18,921			28,750	18,921
Library	171,432	173,958			171,432	173,958
Recreation	187,258	164,021			187,258	164,021
Parks	478,659	457,284			478,659	457,284
Interest on Long-Term Debt	32,502	38,799			32,502	38,799
Business-type Activities:						
Electric			5,157,960	4,986,301	5,157,960	4,986,301
Water and Sewer			1,330,312	1,074,193	1,330,312	1,074,193
Stormwater			101,592	100,265	101,592	100,265
Natural Gas			285,915	339,036	285,915	339,036
Mobile Home Park			199,630	163,727	199,630	163,727
Solid Waste			303,723	299,628	303,723	299,628
<b>Total Expenses</b>	<b>(3,867,910)</b>	<b>(4,405,185)</b>	<b>(7,379,132)</b>	<b>(6,963,150)</b>	<b>(11,247,042)</b>	<b>(11,368,335)</b>
Increase in Net Assets Before Transfers	(938,468)	(972,071)	1,107,651	2,229,887	169,183	1,257,816
Transfers	845,330	825,277	(845,330)	(825,277)	-	-
Increase in Net Assets	(93,138)	(146,794)	262,321	1,404,610	169,183	1,257,816
<b>Net Assets – Beginning of Year</b>	<b>6,768,964</b>	<b>6,915,758</b>	<b>9,641,956</b>	<b>8,237,346</b>	<b>16,410,920</b>	<b>15,153,104</b>
<b>Net Assets – End of Year</b>	<b>\$ 6,675,826</b>	<b>\$ 6,768,964</b>	<b>\$ 9,904,277</b>	<b>\$ 9,641,956</b>	<b>\$ 16,580,103</b>	<b>\$ 16,410,920</b>

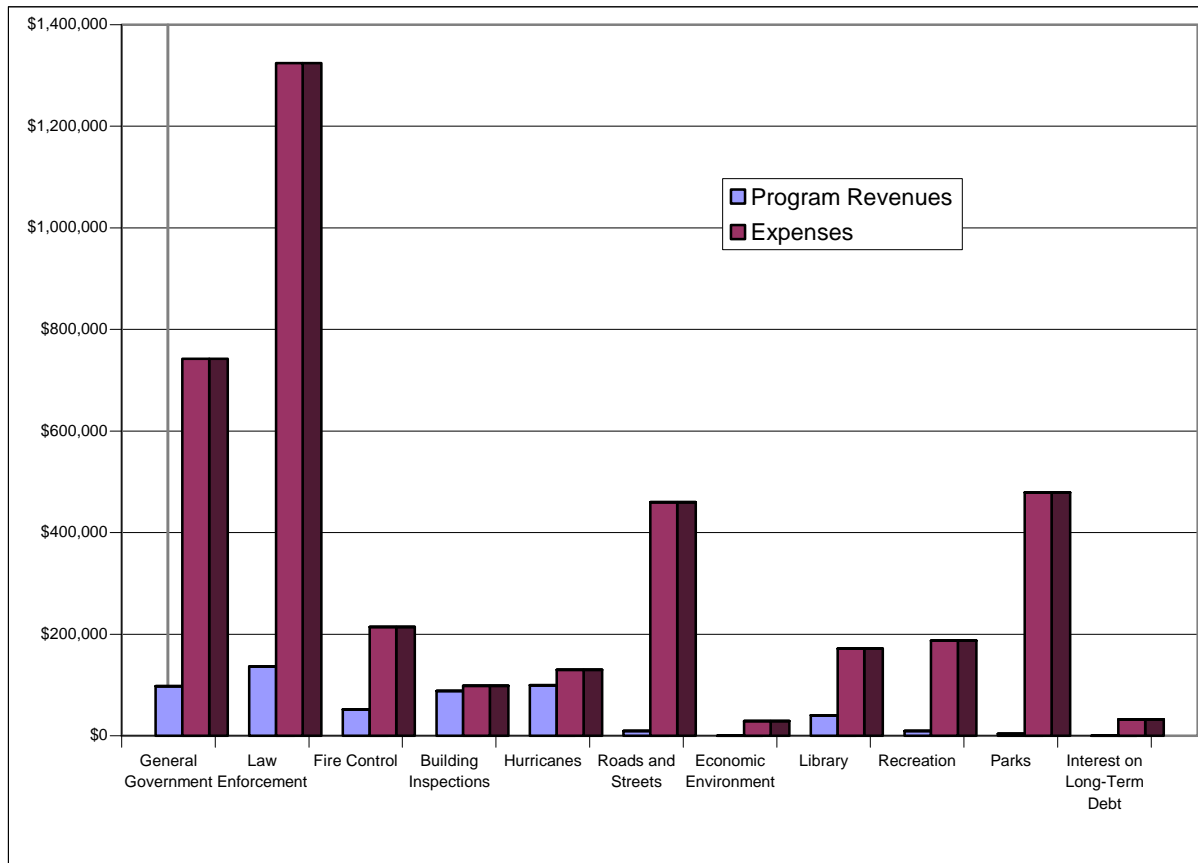
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Governmental Activities**

Governmental activities decreased the City’s net assets by \$93,138, as shown on the preceding page. This was slightly better than the prior year, when governmental activities reported a decrease in net assets of \$146,794. The largest difference between the two years was that hurricane-related revenues and expenses were both down, as the restoration efforts wind down.

The following chart compares expenses with program revenues for the City’s governmental activities for 2007:

**Expenses and Program Revenues – Governmental Activities**

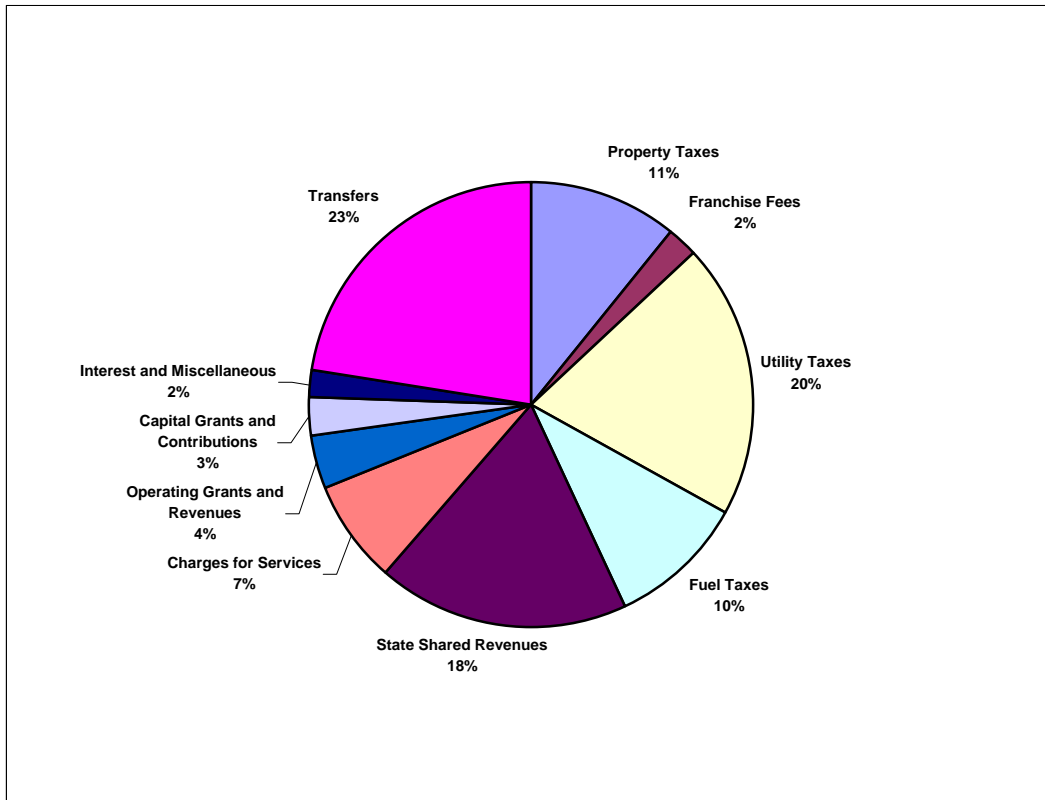


The above graph helps illustrate that most programs do not fund their activities entirely from *program revenues*. Instead, a significant portion of *general revenues* are needed to make up the program shortfall.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

The following graph shows the composition of all revenues (*program and general*), including transfers in for the City’s governmental activities for 2007:

**Revenues by Source – Governmental Activities**



As can be seen in the above chart, property taxes only provide 11% of the total revenues that support governmental activities. Transfers in from enterprise funds finance 23% of the governmental activities. The other revenue sources of the City include state-shared revenues, utility taxes, fuel taxes, and franchise fees.

**Business-type Activities**

Business-type activities increased the City’s net assets by \$262,321 (after transfers), accounting for all the growth in the City’s total net assets. Key factors of this increase are as follows:

- Net income in the electric utility fund of \$324,749, after transfers out of \$550,000.
- Net loss in the water and sewer utility fund of \$89,907, after capital grant income of \$190,928 and transfers out of \$80,780.

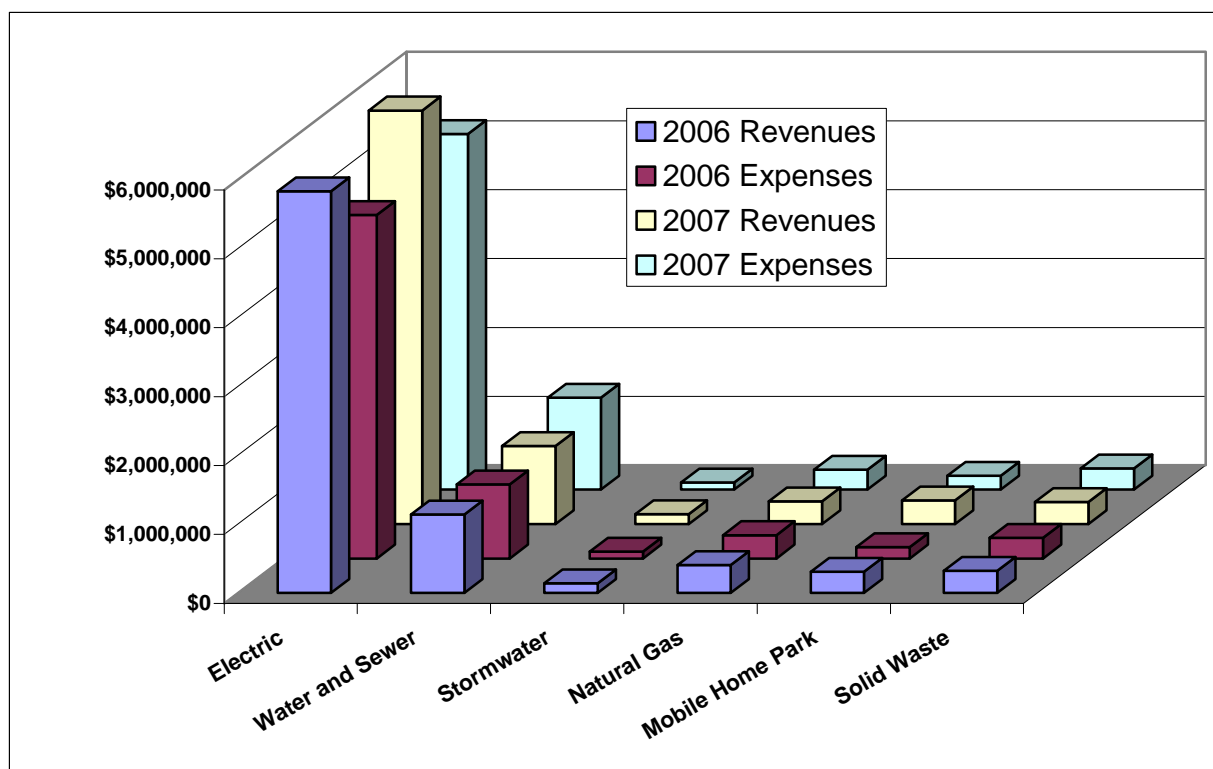
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

The prior year increase in net assets in the business-type activities was \$1,404,610. However, the prior year's increase included \$1,045,735 of capital grants in the water and sewer utility fund related to the water treatment plant expansion, whereas the current year included only the remaining \$190,928. Excluding this "one-time revenue" source, the current year was down \$287,482 to just above a break-even.

These two funds continue to report net income due to cost-conscious decision-making by the City Commission and management, in an environment of very marginal growth.

The following chart compares expenses with program revenues for the City's business-type activities:

**Expenses and Program Revenues – Business-type Activities**



Revenues in the above graph exclude capital grants and transfers in. As can be seen in the above chart, electric revenues and expenses dominate the financial picture of the total enterprise funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Financial Analysis of the City's Funds**

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

**Governmental Funds**

The fund financial statements for the governmental funds are provided on pages 17-20. The focus of the City's *governmental funds* is to provide information on *near-term* inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and its ability to withstand financial emergencies that may occur in the future.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,361,593; of this amount \$1,043,532 constitutes *unreserved fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as shown in the table below:

<b>Reservation</b>	<b>Amount</b>
1. Encumbrances	\$ 258,645
2. Law Enforcement	27,100
3. Debt Service	31,216
4. Other	1,100
<b>Total</b>	<b>\$ 318,061</b>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$957,744, while the total fund balance was \$1,244,589. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26.5% of the total general fund expenditures, while total fund balance represents 34.4% of that same amount.

The general fund reported an increase in fund balance of \$64,696 for 2007 compared to \$197,776 in the prior year. Revenues were up \$38,513 or 1%, but expenditures increased \$201,418 or 6%. Net transfers increased by \$29,825 to cover some of the difference.

**General Fund Budgetary Highlights**

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for the general fund can be found on page 55 of this report in the required supplementary information section.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

The general fund budget (both original and final) anticipated revenues to equal appropriations. Therefore, actual results for 2007 came in \$64,696 better than budget, the same amount as the increase in fund balance. The variance by line item is shown on page 55.

The difference between the original budget and the final amended budget was an increase in appropriations of only \$10,000 (including transfers out). Only minor amendments were made to the original appropriation amounts.

**Proprietary Funds**

The fund financial statements for the City's proprietary funds provide essentially the same type of information found in the government-wide financial statements, but in more detail. The proprietary fund financial statements can be found on pages 21-25 of this report.

Factors concerning the finances of the proprietary funds have been addressed in the discussion of the City's business-type activities.

**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounts to \$18,510,122 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, infrastructure, utility systems, and equipment. The City's investment in capital assets - governmental activities actually decreased during the current fiscal year by \$247,589 (4.2%) after depreciation of \$343,058. The City's investment in capital assets - business type activities also decreased during the current fiscal year by \$171,567 (1.3%) after depreciation of \$557,919.

There were no significant capital additions in 2007. Following is a breakdown of capital assets at the end of both 2007 and 2006:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 846,148	\$ 846,148	\$ 345,838	\$ 345,838	\$ 1,191,986	\$ 1,191,986
Construction in Progress			176,084	82,647	176,084	82,647
Buildings and Improvements	1,108,607	1,159,691	489,001	523,143	1,597,608	1,682,834
Furniture, Machinery and Equipment	514,034	527,625	512,325	549,734	1,026,359	1,077,359
Road Network	3,230,686	3,413,600			3,230,686	3,413,600
Drainage Improvements			704,596	742,295	704,596	742,295
Utility Systems			10,582,803	10,738,557	10,582,803	10,738,557
<b>Total Capital Assets</b>	<u>\$ 5,699,475</u>	<u>\$ 5,947,064</u>	<u>\$ 12,810,647</u>	<u>\$ 12,982,214</u>	<u>\$ 18,510,122</u>	<u>\$ 18,929,278</u>

Additional information on the City's capital assets can be found in Note 6 beginning on page 38 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Long-term Debt**

At the end of the current year, the City had total long-term debt outstanding of \$7,140,178 (excluding accrued compensated absences and deferred losses on refunding). None of this debt is general obligation debt. All of the City's long-term debt is secured by specified revenue sources. Following is a summary of the principal balances outstanding at September 30, 2007 and 2006:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue Bonds:						
Electric Utility			\$ 1,845,000	\$ 2,170,000	\$ 1,845,000	\$ 2,170,000
Water and Sewer Utility			3,694,421	3,708,237	3,694,421	3,708,237
Stormwater utility			665,000	745,000	665,000	745,000
Mobile Home Park			285,000	310,000	285,000	310,000
Notes Payable	\$ 440,000	\$ 535,000			440,000	535,000
Lease Obligations	94,363	115,437	116,394	152,729	210,757	268,166
<b>Total Long-term Debt</b>	<u>\$ 534,363</u>	<u>\$ 650,437</u>	<u>\$ 6,605,815</u>	<u>\$ 7,085,966</u>	<u>\$ 7,140,178</u>	<u>\$ 7,736,403</u>

The City's total long-term debt decreased by \$596,225 or 7.7%. The key factors in this decrease were:

- Scheduled principal payments of \$596,225.

Additional information on the City's long-term debt can be found in Note 7 on pages 39-42 of this report.

**Economic Factors and Next Year's Budget and Rates**

The major challenge faced by the City is the repair and replacement of the communities' aging infrastructure while maintaining fees and rates. Faced with a downturn in the economy and state tax reforms the City has implemented a new accounting system to enhance the budget process, its implementation and monitoring. The expanded financial capabilities provided by this system conversion will be employed to analyze, project and identify trends in the operations and the region to better control the cash flow and operating cost. Budget goals for fiscal year 2008 are as follows:

- The current millage rate will be reevaluated to ensure compliance with Amendment One.
- Utility rates and operating cost will be reviewed to ensure operating cost and reserve funds are adequate to maintain the systems.
- Reorganize the City departments ensuring all areas of the municipal operations are adequately covered without the need for additional personnel.
- Improve the communications between the departments to coordinate the use of equipment and personnel to control operating cost.
- The City will evaluate and implement joint ventures with the region's municipalities in purchasing and providing quality services to the community in a cost effective manner.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Concluded)*

**Requests for Information**

This financial report is designed to provide users with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, 8 West Broadway, Fort Meade, Florida, 33841.

## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,375,025	\$ 839,941	\$ 2,214,966
Investments		183,123	183,123
Accounts Receivable, Net	41,650	925,835	967,485
Unbilled Receivables		430,967	430,967
Interest Receivable		1,518	1,518
Due from Other Governments	226,143	22,243	248,386
Inventories	339,212		339,212
Restricted Assets:			
Cash and Cash Equivalents		1,860,423	1,860,423
Investments		64,737	64,737
Interest Receivable		2,343	2,343
Capital Assets:			
Nondepreciable	846,148	521,922	1,368,070
Depreciable, Net	4,853,327	12,288,725	17,142,052
Bond Issue Costs, Net		122,048	122,048
<b>Total Assets</b>	<u><u>7,681,505</u></u>	<u><u>17,263,825</u></u>	<u><u>24,945,330</u></u>
<b>Liabilities</b>			
Accounts Payable	132,232	441,929	574,161
Accrued Interest	5,830	51,923	57,753
Other Accrued Liabilities	93,158	40,804	133,962
Internal Balances	85,592	(85,592)	0
Deposits		361,319	361,319
Deferred Revenues	400	18,763	19,163
Noncurrent Liabilities:			
Due Within One Year	137,444	537,312	674,756
Due in More Than One Year	551,023	5,993,090	6,544,113
<b>Total Liabilities</b>	<u><u>1,005,679</u></u>	<u><u>7,359,548</u></u>	<u><u>8,365,227</u></u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,165,112	6,562,173	11,727,285
Restricted for:			
Debt Retirement		86,670	86,670
Renewal and Replacement		291,570	291,570
Construction		186,083	186,083
Law Enforcement	27,100		27,100
Unrestricted	1,483,614	2,777,781	4,261,395
<b>Total Net Assets</b>	<u><u>\$ 6,675,826</u></u>	<u><u>\$ 9,904,277</u></u>	<u><u>\$ 16,580,103</u></u>

See accompanying notes.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 742,325	\$ 97,724			\$ (644,601)		\$ (644,601)
Law Enforcement	1,324,446	79,816	\$ 47,394	\$ 8,967	(1,188,269)		(1,188,269)
Fire Control	214,165		52,040		(162,125)		(162,125)
Building Inspections	98,419	88,319			(10,100)		(10,100)
Hurricanes	129,787			99,895	(29,892)		(29,892)
Roads and Streets	460,167		9,620		(450,547)		(450,547)
Economic Environment	28,750				(28,750)		(28,750)
Library	171,432	2,726	37,851		(130,855)		(130,855)
Recreation	187,258	9,536			(177,722)		(177,722)
Parks	478,659	3,663			(474,996)		(474,996)
Interest on Long-term Debt	32,502				(32,502)		(32,502)
<b>Total Governmental Activities</b>	<b>3,867,910</b>	<b>281,784</b>	<b>146,905</b>	<b>108,862</b>	<b>(3,330,359)</b>	<b>\$ 0</b>	<b>(3,330,359)</b>
<b>Business-type Activities</b>							
Electric	5,157,960	5,930,819				772,859	772,859
Water and Sewer	1,330,312	1,095,733		206,328		(28,251)	(28,251)
Stormwater	101,592	131,389				29,797	29,797
Natural Gas	285,915	325,027				39,112	39,112
Mobile Home Park	199,630	339,286				139,656	139,656
Solid Waste	303,723	312,742				9,019	9,019
<b>Total Business-type Activities</b>	<b>7,379,132</b>	<b>8,134,996</b>	<b>0</b>	<b>206,328</b>	<b>0</b>	<b>962,192</b>	<b>962,192</b>
<b>Total Primary Government</b>	<b>\$ 11,247,042</b>	<b>\$ 8,416,780</b>	<b>\$ 146,905</b>	<b>\$ 315,190</b>	<b>(3,330,359)</b>	<b>962,192</b>	<b>(2,368,167)</b>
			<b>General Revenues</b>				
			Taxes:				
			Property Taxes		406,070		406,070
			Franchise Fees		91,428		91,428
			Utility Taxes		751,178		751,178
			Fuel Taxes		377,461		377,461
			State-shared Revenues		688,483		688,483
			Interest and Miscellaneous		77,271	145,459	222,730
			Net Transfers		845,330	(845,330)	0
			<b>Total General Revenues and Transfers</b>		<b>3,237,221</b>	<b>(699,871)</b>	<b>2,537,350</b>
			<b>Change in Net Assets</b>		<b>(93,138)</b>	<b>262,321</b>	<b>169,183</b>
			<b>Net Assets, Beginning of Year</b>		<b>6,768,964</b>	<b>9,641,956</b>	<b>16,410,920</b>
			<b>Net Assets, End of Year</b>		<b>\$ 6,675,826</b>	<b>\$ 9,904,277</b>	<b>\$ 16,580,103</b>

See accompanying notes.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,279,536	\$ 117,004	\$ 1,396,540
Accounts Receivable and Unbilled Revenues	47,182		47,182
(Allowance for Doubtful Accounts)	(5,669)		(5,669)
Due from Other Funds	1,350		1,350
Due from Other Governments	226,143		226,143
<b>Total Assets</b>	<u>1,548,542</u>	<u>117,004</u>	<u>1,665,546</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	128,308		128,308
Accrued Liabilities	89,245		89,245
Deferred Revenue	86,400		86,400
<b>Total Liabilities</b>	<u>303,953</u>	<u>0</u>	<u>303,953</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	258,645		258,645
Reserved for Law Enforcement	27,100		27,100
Reserved for Debt Service		31,216	31,216
Other Reserves	1,100		1,100
Unreserved and Undesignated	957,744	85,788	1,043,532
<b>Total Fund Balances</b>	<u>1,244,589</u>	<u>117,004</u>	<u>1,361,593</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,548,542</u>	<u>\$ 117,004</u>	<u>\$ 1,665,546</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

<b>Fund Balance - Total Governmental Funds</b>		\$ 1,361,593
 <b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Infrastructure	\$ 8,882,871	
(Accumulated Depreciation)	(5,652,185)	
Other Capital Assets	4,784,236	
(Accumulated Depreciation)	<u>(2,333,485)</u>	5,681,437
 Some revenues have been deferred on the balance sheet because they were not measurable and available at year-end.		
		86,000
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Notes Payable	(440,000)	
Lease Obligations Payable	(94,363)	
Compensated Absences	(138,014)	
Interest	<u>(5,830)</u>	(678,207)
 Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.		
		<u>225,003</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 6,675,826</u></u>

See accompanying notes.



**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	<u>General</u>	<u>Other Funds</u>	<u>Totals</u>
<b>Revenues</b>			
Taxes	\$ 1,626,137		\$ 1,626,137
License and Permits	96,502		96,502
Intergovernmental	838,734	\$ 8,967	847,701
Charges for Services	15,925		15,925
Fines and Forfeitures	149,611		149,611
Interest and Miscellaneous	91,508	2,163	93,671
Interfund Service Charges	166,066		166,066
<b>Total Revenues</b>	<u>2,984,483</u>	<u>11,130</u>	<u>2,995,613</u>
<b>Expenditures</b>			
Current:			
General Government	946,234		946,234
Public Safety	1,559,934	8,967	1,568,901
Physical Environment		34,000	34,000
Transportation	270,850	12,050	282,900
Economic Environment	28,750		28,750
Culture and Recreation	811,911	83,737	895,648
Debt Service:			
Principal Retirement		116,074	116,074
Interest and Fiscal Charges		33,761	33,761
<b>(Total Expenditures)</b>	<u>(3,617,679)</u>	<u>(288,589)</u>	<u>(3,906,268)</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(633,196)</u>	<u>(277,459)</u>	<u>(910,655)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	845,330	147,438	992,768
Transfers (out)	(147,438)		(147,438)
Insurance Recoveries		99,895	99,895
<b>Total Other Financing Sources (Uses)</b>	<u>697,892</u>	<u>247,333</u>	<u>945,225</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	64,696	(30,126)	34,570
<b>Fund Balances, Beginning of Year</b>	<u>1,179,893</u>	<u>147,130</u>	<u>1,327,023</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,244,589</u>	<u>\$ 117,004</u>	<u>\$ 1,361,593</u>

See accompanying notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

**Net Change in Fund Balance - Total Governmental Funds** \$ 34,570

**Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Expenditures for Capital Assets	\$ 93,505	
(Current Year Depreciation)	(336,435)	(242,930)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

Principal Payments	116,074	116,074
--------------------	---------	---------

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 the governmental funds:

Interest	1,259	
Change in Long-term Compensated Absences	(5,430)	(4,171)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

	3,319	
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**Change in Net Assets of Governmental Activities** \$ (93,138)

See accompanying notes.

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2007  
 CITY OF FORT MEADE, FLORIDA**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities</b>	
	<b>Electric Utility</b>	<b>Water and Sewer Utility</b>	<b>Stormwater Utility</b>	<b>Other Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Assets</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	\$ 313,396	\$ 23,821	\$ 255,762	\$ 246,962	\$ 839,941	\$ (21,515)
Investments	177,860			5,263	183,123	
Accounts Receivable	766,499	113,271	14,174	62,482	956,426	137
Unbilled Receivables	346,170	53,914	5,849	25,034	430,967	
(Allowance for Doubtful Accounts)	(20,679)	(5,743)	(966)	(3,203)	(30,591)	
Interest Receivable	1,333	101		84	1,518	
Due from Other Funds	80,037	4,612		943	85,592	
Due from Other Governments	3,150	19,093			22,243	
Inventories					0	339,212
Restricted Assets:						
Debt Retirement:						
Cash and Cash Equivalents	753,840	102,800	86,604	19,399	962,643	
Investments		17,849			17,849	
Customer Deposits:						
Cash and Cash Equivalents	194,779	78,516		39,010	312,305	
Investments	37,384			9,504	46,888	
Renewal and Replacement:						
Cash and Cash Equivalents	291,570				291,570	
Interest Receivable	2,343				2,343	
Construction:						
Cash and Cash Equivalents		186,083	107,822		293,905	
<b>Total Current Assets</b>	<u>2,947,682</u>	<u>594,317</u>	<u>469,245</u>	<u>405,478</u>	<u>4,416,722</u>	<u>317,834</u>
<b>Noncurrent Assets</b>						
Capital Assets:						
Land		334,974		10,864	345,838	
Plant and Equipment	6,586,601	10,176,839	1,083,459	1,437,717	19,284,616	65,933
(Accumulated Depreciation)	(2,701,685)	(3,155,066)	(330,167)	(808,973)	(6,995,891)	(47,895)
Construction in Progress	36,101	137,333		2,650	176,084	
Total Capital Assets, Cost Less Depreciation	3,921,017	7,494,080	753,292	642,258	12,810,647	18,038
Other Assets:						
Deferred Charges for Bond Issuance Costs, Net of Accumulated Amortization of \$109,506	62,288	44,318	8,989	6,453	122,048	0
<b>Total Noncurrent Assets</b>	<u>3,983,305</u>	<u>7,538,398</u>	<u>762,281</u>	<u>648,711</u>	<u>12,932,695</u>	<u>18,038</u>
<b>Total Assets</b>	<u>\$ 6,930,987</u>	<u>\$ 8,132,715</u>	<u>\$ 1,231,526</u>	<u>\$ 1,054,189</u>	<u>\$ 17,349,417</u>	<u>\$ 335,872</u>

See accompanying notes.

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2007  
 CITY OF FORT MEADE, FLORIDA  
 (Concluded)**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Electric Utility</b>	<b>Water and Sewer Utility</b>	<b>Stormwater Utility</b>	<b>Other Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 391,340	\$ 37,758	\$ 961	\$ 11,870	\$ 441,929	\$ 3,924
Accrued Liabilities	29,309	8,357		3,138	40,804	3,913
Due to Other Funds					0	86,942
Deferred Revenue				18,763	18,763	
Accrued Compensated Absences	1,764	2,767		674	5,205	1,608
Lease Obligations, Current Portion	16,011		13,734		29,745	
Current Liabilities Payable from Restricted Assets:						
Bonds Payable, Current Portion	340,000	52,362	80,000	30,000	502,362	
Accrued Interest	19,073	13,205	13,029	6,616	51,923	
Customer Deposits	232,163	78,272		50,884	361,319	
<b>Total Current Liabilities</b>	<u>1,029,660</u>	<u>192,721</u>	<u>107,724</u>	<u>121,945</u>	<u>1,452,050</u>	<u>96,387</u>
<b>Noncurrent Liabilities</b>						
Bonds Payable, Net of Unamortized Discount	1,377,529	3,642,059	585,000	255,000	5,859,588	
Lease Obligations	72,373		14,276		86,649	
Accrued Compensated Absences	15,876	24,908		6,069	46,853	14,482
<b>Total Noncurrent Liabilities</b>	<u>1,465,778</u>	<u>3,666,967</u>	<u>599,276</u>	<u>261,069</u>	<u>5,993,090</u>	<u>14,482</u>
<b>Total Liabilities</b>	<u>2,495,438</u>	<u>3,859,688</u>	<u>707,000</u>	<u>383,014</u>	<u>7,445,140</u>	<u>110,869</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	2,177,392	3,843,977	177,093	363,711	6,562,173	18,038
Restricted	291,570	272,753			564,323	
Unrestricted	1,966,587	156,297	347,433	307,464	2,777,781	206,965
<b>Total Net Assets</b>	<u>\$ 4,435,549</u>	<u>\$ 4,273,027</u>	<u>\$ 524,526</u>	<u>\$ 671,175</u>	<u>\$ 9,904,277</u>	<u>\$ 225,003</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	Business-Type Activities - Enterprise Funds					Governmental
	Electric Utility	Water and Sewer Utility	Stormwater Utility	Other Funds	Total Enterprise Funds	Internal Service Fund
<b>Operating Revenues</b>						
Charges for Services	\$ 5,930,819	\$ 1,095,733	\$ 131,389	\$ 977,055	\$ 8,134,996	\$ 259,435
<b>Operating Expenses</b>						
Purchases for Resale	4,083,782			144,736	4,228,518	
Personal Services	373,027	313,564		83,840	770,431	148,203
Other Services and Charges	383,587	574,621	21,208	495,857	1,475,273	101,290
Depreciation	195,386	269,465	45,704	47,364	557,919	6,623
<b>(Total Operating Expenses)</b>	<u>(5,035,782)</u>	<u>(1,157,650)</u>	<u>(66,912)</u>	<u>(771,797)</u>	<u>(7,032,141)</u>	<u>(256,116)</u>
<b>Operating Income (Loss)</b>	<u>895,037</u>	<u>(61,917)</u>	<u>64,477</u>	<u>205,258</u>	<u>1,102,855</u>	<u>3,319</u>
<b>Nonoperating Revenues (Expenses)</b>						
Interest Revenue	77,933	19,124	12,631	11,447	121,135	
Impact Fees		15,400			15,400	
Other Nonoperating Revenues	23,957			367	24,324	
Interest Expense and Fiscal Charges	(122,178)	(172,662)	(34,680)	(17,471)	(346,991)	
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(20,288)</u>	<u>(138,138)</u>	<u>(22,049)</u>	<u>(5,657)</u>	<u>(186,132)</u>	<u>0</u>
<b>Income (Loss) Before Contributions and Transfers</b>	874,749	(200,055)	42,428	199,601	916,723	3,319
<b>Capital Contributions</b>	0	190,928	0	0	190,928	0
<b>Transfers (out)</b>	<u>(550,000)</u>	<u>(80,780)</u>	<u>0</u>	<u>(214,550)</u>	<u>(845,330)</u>	<u>0</u>
<b>Increase (Decrease) in Net Assets</b>	324,749	(89,907)	42,428	(14,949)	262,321	3,319
<b>Net Assets, Beginning of Year</b>	4,110,800	4,362,934	482,098	686,124	9,641,956	221,684
<b>Net Assets, End of Year</b>	<u>\$ 4,435,549</u>	<u>\$ 4,273,027</u>	<u>\$ 524,526</u>	<u>\$ 671,175</u>	<u>\$ 9,904,277</u>	<u>\$ 225,003</u>

See accompanying notes.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007  
 CITY OF FORT MEADE, FLORIDA**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Electric Utility</b>	<b>Water and Sewer Utility</b>	<b>Stormwater Utility</b>	<b>Other Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers and Users	\$ 5,817,035	\$ 1,064,037	\$ 131,895	\$ 945,987	\$ 7,958,954	\$ 259,435
Cash Payments to Vendors for Goods and Services	(4,438,987)	(574,040)	(20,247)	(663,127)	(5,696,401)	(116,656)
Cash Payments to Employees for Services	(374,020)	(305,774)		(82,191)	(761,985)	(147,463)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,004,028</b>	<b>184,223</b>	<b>111,648</b>	<b>200,669</b>	<b>1,500,568</b>	<b>(4,684)</b>
<b>Cash Flows from Noncapital Financing Activities</b>						
Interfund Loans	18,527			(18,527)	0	
Miscellaneous Nonoperating Revenues	23,957			367	24,324	
Transfers in (out)	(550,000)	(80,780)		(214,550)	(845,330)	
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(507,516)</b>	<b>(80,780)</b>	<b>0</b>	<b>(232,710)</b>	<b>(821,006)</b>	<b>0</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Principal Paid on Revenue Bonds	(325,000)	(13,816)	(80,000)	(25,000)	(443,816)	
Principal Paid on Lease Obligations	(23,122)		(13,213)		(36,335)	
Interest Paid on Notes Payable and Long-term Debt	(89,808)	(159,155)	(34,534)	(17,129)	(300,626)	
Capital Grants		190,928			190,928	
Impact Fees		15,400			15,400	
Acquisition of Property, Plant and Equipment	(67,236)	(315,545)		(3,571)	(386,352)	(1,964)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(505,166)</b>	<b>(282,188)</b>	<b>(127,747)</b>	<b>(45,700)</b>	<b>(960,801)</b>	<b>(1,964)</b>
<b>Cash Flows from Investing Activities</b>						
Interest Received on Investments	80,336	19,293	12,631	11,587	123,847	
Investments Matured	424,101	18,246		15,095	457,442	
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>504,437</b>	<b>37,539</b>	<b>12,631</b>	<b>26,682</b>	<b>581,289</b>	<b>0</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>495,783</b>	<b>(141,206)</b>	<b>(3,468)</b>	<b>(51,059)</b>	<b>300,050</b>	<b>(6,648)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,057,802</b>	<b>532,426</b>	<b>453,656</b>	<b>356,430</b>	<b>2,400,314</b>	<b>(14,867)</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,553,585</b>	<b>\$ 391,220</b>	<b>\$ 450,188</b>	<b>\$ 305,371</b>	<b>\$ 2,700,364</b>	<b>\$ (21,515)</b>

See accompanying notes.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007  
 CITY OF FORT MEADE, FLORIDA  
 (Concluded)**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental</b>
	<b>Electric Utility</b>	<b>Water and Sewer Utility</b>	<b>Stormwater Utility</b>	<b>Other Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b><u>Included on the Accompanying Balance Sheet Under the Following Caption</u></b>						
<b>Cash and Cash Equivalents</b>						
Unrestricted	\$ 313,396	\$ 23,821	\$ 255,762	\$ 246,962	\$ 839,941	\$ (21,515)
Restricted	1,240,189	367,399	194,426	58,409	1,860,423	
<b>Total Cash and Cash Equivalents</b>	<b>\$ 1,553,585</b>	<b>\$ 391,220</b>	<b>\$ 450,188</b>	<b>\$ 305,371</b>	<b>\$ 2,700,364</b>	<b>\$ (21,515)</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>						
Operating Income (Loss)	895,037	(61,917)	64,477	205,258	1,102,855	3,319
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation	195,386	269,465	45,704	47,364	557,919	6,623
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):						
Accounts Receivable and Unbilled Revenue	(144,457)	(25,571)	506	(15,606)	(185,128)	
Due from Other Funds	7,973	(19,093)			(11,120)	
Inventories					0	(13,584)
Accounts Payable	30,040	(825)	961	(23,689)	6,487	(2,037)
Other Accrued Expenses	(1,658)	1,406		1,155	903	255
Accrued Compensated Absences	(993)	7,790		1,649	8,446	740
Deferred Revenues				(17,412)	(17,412)	
Customer Deposits	22,700	12,968		1,950	37,618	
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,004,028</b>	<b>\$ 184,223</b>	<b>\$ 111,648</b>	<b>\$ 200,669</b>	<b>\$ 1,500,568</b>	<b>\$ (4,684)</b>

**Supplemental Disclosure of Noncash Activities**

None

See accompanying notes.

**STATEMENT OF PLAN NET ASSETS  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

**Assets**

Cash and Investments Held by Custodian	\$ 5,579,751
Contributions Receivable	122,409
Interest Receivable	<u>17,795</u>
<b>Total Assets</b>	<u><u>5,719,955</u></u>

**Liabilities**

Accounts Payable	<u>2,751</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<u><u>\$ 5,717,204</u></u>

See accompanying notes.



**STATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

**Additions**

Contributions	\$ 229,474
Investment Income (Expenses):	
Earnings on Investments	682,913
(Investment Expense)	(26,355)
Net Investment Income	656,558
<b>Total Additions</b>	886,032

**Deductions**

Administrative	6,249
Retirement Benefits and Termination Payments	221,917
<b>(Total Deductions)</b>	(228,166)
<b>Net Increase</b>	657,866
<b>Net Assets Held in Trust for Pension Benefits, Beginning of Year</b>	5,059,338
<b>Net Assets Held in Trust for Pension Benefits, End of Year</b>	\$ 5,717,204

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

**A. Reporting Entity**

The present Charter of the City of Fort Meade, Florida (the City) was adopted at an election held on April 22, 1925, which was validated and confirmed by Laws of Florida 1925, Chapter 10569. The City operates under a Commission-Manager form of government and provides the following services as authorized by its Charter: public safety (police and fire), streets and highways, culture/recreation, public improvements, planning and zoning, and general administrative services. The City also provides electric, water, sewer, natural gas and stormwater utility services; provides collection and disposal of solid waste; and operates a mobile home park.

The City has no component units. However, this report does include the accounts and transactions of the following entities, which do not satisfy the definition of component units because they are not legally separate from the City.

- City of Fort Meade General Employees' Pension Plan;
- City of Fort Meade Fire Fighters' Pension Plan; and
- City of Fort Meade Police Officers' Pension Plan.

**B. Government-wide and Fund Financial Statements**

The City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The basic financial statements consist of the governmental-wide financial statements and fund financial statements. The government-wide financial statements required under this statement (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements so as not to distort financial results. Fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government. *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 activities demonstrates the degree to which the direct expenses of a given function or segment are 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 segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements (fund financial statements) are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City's fiduciary funds are presented in the fund financial statements by type (pension trust funds only) but as noted above are not included in the government-wide statements. Reconciliations are provided that convert the results of governmental fund accounting to the government-wide presentations.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**B. Government-wide and Fund Financial Statements (Concluded)**

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are allocated among the appropriate governmental and business-type activities.

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

The government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in 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.

Operating revenues shown for proprietary operations generally result from producing or providing goods and services related to the electric, water and sewer, stormwater and natural gas utilities, the solid waste collection and disposal efforts, or operation of the mobile home park. Operating expenses for these operations include all costs related to providing the service or product. These costs include purchased power and gas, personal and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly or indirectly related to costs of services. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, utility and franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
*(Continued)*

The financial transactions of the City are recorded in individual funds. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental fund:

- **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as public safety, public works, street construction and maintenance, culture and recreation, and general administration are provided by the general fund.

The City reports the following major enterprise funds:

- **Electric Utility Fund** accounts for the activities associated with providing electric service to residents of the City. The electric fund is a distribution utility, with no significant power generation assets.
- **Water and Sewer Utility Fund** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including the capital and operating costs associated with water supply, treatment and distribution, wastewater collection, treatment and disposal, and utility billing and collection.
- **Stormwater Utility Fund** accounts for the costs of stormwater and drainage improvements and the related customer charge.

Governmental and enterprise funds, which do not meet the criteria for reporting as *major funds*, are grouped together for financial reporting into one column.

In addition, the City reports the following fund types:

- **Internal Service Funds** account for services provided to other departments within the City on a cost reimbursement basis. These services include fleet maintenance and central warehouse. The excess revenue or expenses for the funds are allocated to the appropriate functional activity.
- **Pension Trust Funds** account for the activities of the general employees' pension, police officers' pension and fire fighters' pension plans, which accumulate resources for defined benefit payments to qualified employees.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
*(Concluded)*

Governmental activities, business-type activities, and proprietary fund types follow all applicable (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board (APB) Opinions; and
- Accounting Research Bulletins.

Pursuant to GASB Statement No. 20, the City has elected not to apply all FASB statements and interpretations issued after November 30, 1989, to its governmental activities, business-type activities, and proprietary fund types.

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 of the City's enterprise activities, which are quasi-external transactions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed, except in situations where grant agreements or contracts require an alternative treatment.

The City charges user departments in enterprise funds for certain indirect services provided by general fund departments. The total charges of \$166,066 have been eliminated in the governmental columns of the statement of activities.

**D. Assets, Liabilities and Net Assets or Equity**

**Cash and Investments**

- **Cash and Cash Equivalents** for purposes of the statement of cash flows for the proprietary fund types include demand deposits, repurchase agreements with financial institutions, petty cash, money market funds and equity in pooled cash and investments. Equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less.
- **Pooled Cash and Investments** - The City maintains an accounting system which centralizes the investment function for all funds. Each fund's "share" of these pooled cash and investments is included in cash and cash equivalents on the accompanying balance sheets. Investment earnings are distributed monthly in accordance with the participating fund's relative percentage of investments.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**Cash and Investments (Concluded)**

- **Restricted Cash and Investments** represent equity in pooled cash and investments and separately identified investments which are restricted as to use. Bond covenants require certain enterprise funds to establish and maintain prescribed amounts of resources (consisting of cash and investments) that can be used only for specific purposes.

All investments are recorded at market value. These investments consist primarily of U.S. Government obligations (treasury bills, notes and bonds, other U.S. government agency securities, corporate bonds and common stock).

**Receivables and Deferred Revenues**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the fund financial statements, recognition of governmental fund-type revenues is deferred until they become measurable and available, in accordance with the modified accrual basis of accounting. Estimated unbilled revenues from the electric, water and sewer, gas and stormwater funds are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

**Interfund Receivables and Payables**

During the course of its operations, the City has numerous transactions between funds to provide services, construct assets and service debt. To the extent that certain transactions between funds were not paid for or received as of September 30, 2007, balances of interfund receivables and payables expected to be liquidated within one year have been recorded as due from and due to other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories**

Inventories are principally priced at a moving average cost not in excess of market. All inventories are recorded in the internal service fund and consist of repair and replacement parts for the utility systems, and other supplies and materials held for future use by the City. Perpetual inventory records are maintained for all items.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., utility systems and roads), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial estimated useful life in excess of one year and individual cost of more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**Capital Assets (Concluded)**

Interest on revenue bonds, the proceeds of which are used to finance the construction of certain assets, is capitalized during the construction period, net of interest earned on the investment of unexpended bond proceeds. No net interest cost was capitalized in the enterprise funds or the government-wide financial statements in 2007.

In proprietary fund types, capital assets are capitalized at cost in the fund which acquired or constructed it. Donated assets are recorded at fair value. Depreciation of exhaustible fixed assets used by these funds is charged as an expense against operations and, accumulated depreciation is reported on the balance sheets of the funds in which the assets are capitalized. Depreciation has been provided over the estimated useful life of each asset using the straight-line method. The range of estimated useful lives of capital assets are:

Buildings	20-50 Years
Utility Infrastructure	20-50 Years
Roads	75 Years
Road Resurfacing	20 Years
Equipment	3-20 Years

Capital assets are not recorded on the balance sheet of governmental funds.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the 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-type statement of net assets. Bond premiums, discounts, and refunding losses are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Underwriting and other bond issuance costs are deferred and amortized over the term of the bonds also using the straight-line method.

In the fund financial statements, governmental fund types record bond premiums and discounts, as well as bond issuance costs in the year incurred. The face amount of debt and premiums received on debt issuances are 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, are reported as debt service expenditures.

**Compensated Absences**

City employees are entitled to certain compensated absences based on their length of employment. Accumulated unpaid vacation and sick pay are accrued when earned in the governmental activities, business-type activities and the proprietary fund types, but are only recorded when paid in the governmental fund types.

The City accrues amounts due for accumulated unpaid sick time in accordance with its policy, under which unused sick leave is allowed to accumulate up to 600 hours. If a vested employee terminates, he/she shall receive payment at a rate of 50% of accumulated sick time not to exceed 300 hours. For governmental activities, compensated absences are generally liquidated by the general fund.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**D. Assets, Liabilities and Net Assets or Equity (Concluded)**

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change. In the government-wide financial statements, net assets are reported as restricted, only when restricted by outside parties.

**Pension Costs**

The provision for pension costs is recorded on an accrual basis, and the City's policy is to fund pension costs as they accrue.

**Note 2 - Property Taxes**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Polk County Property Appraiser and the Polk County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills. The City's millage rate for the 2007 fiscal year was 3.50 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the City millages into the total tax levy, which includes the Polk County and the Polk County District School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are levied on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Polk County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.



**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 3 - Budgets**

As set forth in the City Charter, the City Commission adopts an annual budget for all funds, except the pension trust funds. The annual budgets for the governmental fund types are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the proprietary fund types are adopted under a basis consistent with generally accepted accounting principles, except that capital expenses and principal payments are included in the budget and depreciation expense is not included. The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures/expenses among departments, or in total, must be approved by the City Commission.

During the year and subsequent to year-end, the City Commission may adopt an amended budget approving such additional expenditures/expenses. A budgetary comparison schedule is presented as *required supplementary information* for the general fund and all major special revenue funds with legally adopted budgets.

The following departments reported expenditures in excess of budgeted appropriations for 2007:

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government</b>				
Legislative	\$ 21,470	\$ 21,470	\$ 24,902	\$ (3,432)
Executive	212,930	212,930	267,734	(54,804)
Finance	428,560	428,560	442,213	(13,653)
Legal Counsel	37,230	37,230	77,874	(40,644)
<b>Public Safety</b>				
Police	1,240,960	1,250,960	1,265,142	(14,182)

**Note 4 - Cash and Investments**

**Deposits**

All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280. Qualified public depositories are required to pledge collateral to the State Treasurer with a market value equal to 50% of the average daily balance of all public deposits in excess of any federal deposit insurance. In addition, to the extent that total public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

In event of default by a qualified public depository, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Therefore, all cash and time deposits held by banks are considered fully insured or collateralized.

At September 30, 2007, the carrying amount of the City's deposits (excluding pension trust funds) was \$2,878,918 and the bank balances were \$2,990,197. In addition, the City had cash on hand totaling \$1,155 at September 30, 2007.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 4 - Cash and Investments (Continued)**

**Investments**

By Ordinance No. 87-3 and Florida Statutes, the City is authorized to invest in bonds or other long-term debt investments limited to issues of the U.S. Treasury, government agencies, and corporations whose debt is ranked in the three highest quality ratings at the time of purchase. The City is also authorized to enter into repurchase agreements.

The investment schedule below summarizes specific, identifiable investments and classifies them by credit rating:

<u>Investment Type</u>	<u>Credit Rating (Moody's)</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
			<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>	<u>Over 3 Years</u>
U.S. Treasury Notes	AAA	\$ 128,873		\$ 128,873		
FHLMC Note	AAA	118,987			\$ 118,987	
Repurchase Agreements	N/R	478,976	\$ 478,976			
Money Market Funds	N/R	716,340	716,340			
<b>Total</b>		<u>\$ 1,443,176</u>	<u>\$ 1,195,316</u>	<u>\$ 128,873</u>	<u>\$ 118,987</u>	<u>\$ 0</u>

**Legend**

N/R – Not Rated

Repurchase agreements and investments in money market funds are included in cash and cash equivalents for balance sheet/statement of net assets purposes because of their liquidity, but are classified as investments below in accordance with GASB Statement No. 3.

In addition to investments authorized for the City as a whole, the pension trust funds are also authorized to invest in other fixed-income and equity securities, within the individual plan guidelines.

Cash and investments in the pension trust funds at September 30, 2007, are presented below (at market value):

<u>Investment Type</u>	<u>Credit Rating (Moody's)</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
			<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Equities	N/R	\$ 3,589,903	\$ 3,589,903			
FHLMC Securities	AAA	318,563			\$ 55,739	\$ 262,824
FNMA Securities	AAA	324,870		\$ 81,386	167,304	76,180
U.S. Treasury Bonds	AAA	57,741				57,741
U.S. Treasury Notes	AAA	371,365		371,365		
Corporate Bonds	*	448,867		178,421	115,640	154,806
Money Market Funds	N/R	468,260	468,260			
<b>Total</b>		<u>\$ 5,579,569</u>	<u>\$ 4,058,163</u>	<u>\$ 631,172</u>	<u>\$ 338,683</u>	<u>\$ 551,551</u>

\* Credit ratings on the above corporate bonds varied from AA to A, except for one security which was downgraded to BBB on September 20, 2007.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 4 - Cash and Investments (Concluded)**

**Investments (Concluded)**

In addition to the above investments, the pension funds carried cash balances within investment accounts totaling \$182 at September 30, 2007. Pension fund guidelines specify that the quality minimum of all fixed income securities purchased for the fund shall be Standard & Poor's and Moody's rated A or its equivalent. The investment manager is permitted a reasonable time to dispose of securities which have been downgraded.

**Other Risk Disclosures**

The City's and pension plan's investment policies broadly address exposure to interest rate changes, custodial credit risk and quality credit risk. The following items discuss the City and pension funds' exposure to various risks in primarily the fixed rate portions of their investment portfolios.

*Interest Rate Risk.* The City's fixed rate investments are held primarily in depreciation reserve, customer deposit, and renewal and replacement accounts. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City limits its risk by:

- a) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; and
- b) investing operating funds primarily in shorter-term securities.

The pension funds mitigate their interest rate risk by structuring the investment portfolio so that only 40% of the portfolio is committed to fixed-income securities, and maturities are structured at varying lengths.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City and pension funds utilize a prequalification process when selecting investment management and custodial services, but generally do not utilize third party custodians to help manage custodial credit risk. All of the above investments are held by the counterparty.

*Concentration of Credit Risk.* The City's policies mitigate concentration of credit risk by diversifying the investment portfolio so that the potential losses on individual securities will be minimized. The pension funds' investment guidelines do not require diversification to prevent an overconcentration of assets in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are purchased and sold, except to require that the aggregate equity investment in any one issuing company may not exceed 1% of the outstanding capital stock of that company.

**Note 5 - Deferred Revenues**

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. All funds and activities may also report deferred revenue for resources that have been received, but not yet earned.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 6 - Capital Assets**

Capital asset activity for the year ended September 30, 2007, was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Not Being Depreciated:				
Land	\$ 846,148			\$ 846,148
Total Capital Assets Not Being Depreciated	<u>846,148</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>846,148</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	2,065,053			2,065,053
Machinery and Equipment	1,600,956	42,196		1,643,152
Office Furniture and Equipment	242,543	53,273		295,816
Road Network	8,882,871			8,882,871
Total Capital Assets Being Depreciated	<u>12,791,423</u>	<u>95,469</u>	<u>0</u>	<u>12,886,892</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(905,362)	(51,084)		(956,446)
Machinery and Equipment	(1,088,236)	(98,913)		(1,187,149)
Office Furniture and Equipment	(227,638)	(10,147)		(237,785)
Road Network	(5,469,271)	(182,914)		(5,652,185)
Total Accumulated Depreciation	<u>(7,690,507)</u>	<u>(343,058)</u>	<u>0</u>	<u>(8,033,565)</u>
Total Being Depreciated, Net	<u>5,100,916</u>	<u>(247,589)</u>	<u>0</u>	<u>4,853,327</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 5,947,064</u>	<u>\$ (247,589)</u>	<u>\$ 0</u>	<u>\$ 5,699,475</u>
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 345,838			\$ 345,838
Construction in Progress	82,647	93,437		176,084
Total Capital Assets Not Being Depreciated	<u>428,485</u>	<u>93,437</u>	<u>\$ 0</u>	<u>521,922</u>
Capital Assets Being Depreciated:				
Buildings	916,407	124		916,531
Electrical System	5,844,663	31,136		5,875,799
Water System	1,694,249	13,532		1,707,781
Sewer System	7,840,992	184,728		8,025,720
Natural Gas Distribution System	434,443	352		434,795
Drainage Improvements	966,411			966,411
Equipment	1,294,536	63,043		1,357,579
Total Capital Assets Being Depreciated	<u>18,991,701</u>	<u>292,915</u>	<u>0</u>	<u>19,284,616</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(393,264)	(34,266)		(427,530)
Electrical System	(2,155,562)	(133,512)		(2,289,074)
Water System	(792,549)	(31,677)		(824,226)
Sewer System	(1,832,082)	(211,230)		(2,043,312)
Natural Gas Distribution System	(295,598)	(9,082)		(304,680)
Drainage Improvements	(224,116)	(37,699)		(261,815)
Equipment	(744,801)	(100,453)		(845,254)
Total Accumulated Depreciation	<u>(6,437,972)</u>	<u>(557,919)</u>	<u>0</u>	<u>(6,995,891)</u>
Total Being Depreciated, Net	<u>12,553,729</u>	<u>(265,004)</u>	<u>0</u>	<u>12,288,725</u>
<b>Business-type Activities Capital Assets</b>	<u>\$ 12,982,214</u>	<u>\$ (171,567)</u>	<u>\$ 0</u>	<u>\$ 12,810,647</u>

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 6 - Capital Assets (Concluded)**

Depreciation was charged to functions/programs of the City as follows:

**Governmental Activities**

General Government	\$	19,909
Law Enforcement		41,698
Fire Control		37,985
Building Inspections		1,530
Roads and Streets		188,247
Library		2,439
Recreation		11,358
Parks		33,269
Internal Service Funds		<u>6,623</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$</b>	<b><u>343,058</u></b>

**Business-type Activities**

Electric	\$	195,386
Water and Sewer		269,465
Stormwater		45,704
Natural Gas		12,102
Mobile Home Park		16,615
Solid Waste		<u>18,647</u>
<b>Total Depreciation Expense - Business-type Activities</b>	<b>\$</b>	<b><u>557,919</u></b>

**Note 7 - Long-term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2007:

	Balance 10/1/2006	Additions	Principal Payments	Other Changes	Balance 9/30/2007	Due Within One Year
<b>Governmental Activities</b>						
Notes Payable	\$ 535,000		\$ (95,000)		\$ 440,000	\$ 100,000
Lease Obligations Payable	115,437		(21,074)		94,363	22,034
Accrued Compensated Absences	147,934	\$ 6,170			154,104	15,410
<b>Total Governmental Activities</b>	<b>\$ 798,371</b>	<b>\$ 6,170</b>	<b>\$ (116,074)</b>	<b>\$ 0</b>	<b>\$ 688,467</b>	<b>\$ 137,444</b>
<b>Business-type Activities</b>						
<b>Revenue Bonds - at Par</b>						
Electric Bonds (1999)	\$ 2,170,000		\$ (325,000)		\$ 1,845,000	\$ 340,000
Water and Sewer Bonds (1982)	207,237		(13,816)		193,421	13,816
Water and Sewer Bonds (2005A)	2,751,000				2,751,000	30,289
Water and Sewer Bonds (2005B)	750,000				750,000	8,257
Stormwater Bonds (1998)	745,000		(80,000)		665,000	80,000
Mobile Home Park Bonds (2000)	310,000		(25,000)		285,000	30,000
<b>Total Revenue Bonds - at Par</b>	<b>6,933,237</b>	<b>\$ 0</b>	<b>\$ (443,816)</b>	<b>\$ 0</b>	<b>6,489,421</b>	<b>502,362</b>
(Unamortized Refunding Loss)	(151,372)	0	0	23,901	(127,471)	0
<b>Total Revenue Bonds - Net</b>	<b>6,781,865</b>	<b>0</b>	<b>(443,816)</b>	<b>23,901</b>	<b>6,361,950</b>	<b>502,362</b>
<b>Lease Obligations Payable</b>						
Electric Fund	111,506		(23,122)		88,384	16,011
Stormwater Fund	41,223		(13,213)		28,010	13,734
Accrued Compensated Absences	43,612	8,446	0	0	52,058	5,205
<b>Total Business-type Activities</b>	<b>\$ 6,978,206</b>	<b>\$ 8,446</b>	<b>\$ (480,151)</b>	<b>\$ 23,901</b>	<b>\$ 6,530,402</b>	<b>\$ 537,312</b>

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 7 - Long-term Debt (Continued)**

Bonds and notes outstanding at September 30, 2007, consist of the following for governmental and business-type activities:

	<u>Purpose</u>	<u>Maturity</u>	<u>Originally Issued</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>
<b>Governmental Activities</b>					
Note Payable:					
Fuel Tax Revenue Note, Series 2001	1	2011	\$ 955,000	\$ 440,000	5.30%
Lease Obligations:					
Leasing 2, Inc.	2	2011	155,819	<u>94,363</u>	4.56%
<b>Total Governmental Activities</b>				<u>\$ 534,363</u>	
<b>Business-type Activities</b>					
Revenue Bonds:					
Electrical System Refunding Bonds, Series 1999	3	2012	\$ 3,755,000	\$ 1,845,000	3.40-4.25%
Utilities Revenue Bonds of 1982	4	2021	525,000	193,421	5.00%
Utility System Revenue Bond, Series 2005A	5	2045	2,751,000	2,751,000	4.25%
Utility System Revenue Bond, Series 2005B	6	2045	750,000	750,000	4.25%
Stormwater System Revenue Bonds, Series 1998	7	2014	1,200,000	665,000	4.60%
Capital Improvement Revenue Bonds, Series 2000	8	2015	440,000	285,000	5.45%
Lease Obligations:					
Key Government Finance, Inc.	9	2012	124,910	88,384	5.29%
Tymco International, Ltd.	10	2009	81,000	<u>28,010</u>	3.95%
<b>Total Business-type Activities</b>				<u>\$ 6,605,815</u>	

**Purpose**

1. Acquisition, Construction and Reconstruction of City Roads
2. Kenworth Fire Tanker Truck
3. Refund 1991 Bonds, Originally for Electric System Improvements
4. Water and Sewer System Improvements
5. Wastewater Treatment Facility Improvements
6. Wastewater Treatment Facility Improvements
7. Drainage Improvements
8. Mobile Home Park Community Center
9. 2006 International Bucket Truck
10. Street Sweeper

The revenue bonds listed above are generally payable with principal due annually and interest due semiannually, and are secured by a pledge of the revenue source in the fund in which the bond is reported. The stormwater bonds include an additional covenant to budget and appropriate from non-ad valorem revenues in the event of a deficiency. The payment of the principal and interest on the Series 2001 fuel tax revenue note is secured by a pledge of and lien upon the City's five-cent local option fuel taxes.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 7 - Long-term Debt (Continued)**

All revenue bonds, except the electric bonds maturing prior to 2010, and the fuel tax revenue note, may be prepaid in whole or in part without penalty. Most of the bonds contain mandatory redemption provisions and require premium payments upon early redemption. In addition, some of the bonds require the establishment and maintenance of various "funds" or accounts on the books of the City, as follows:

<b>Revenue Fund</b>	To receive the gross revenues of the utility system (except investment income) and disburse the proceeds, as appropriate.
<b>Operations and Maintenance Fund</b>	To receive monthly transfers from the revenue fund to pay costs of operations and maintenance.
<b>Sinking Fund</b>	To accumulate and disburse the debt service requirement through the maintenance of an interest account, principal account, debt service reserve account and bond amortization account.
<b>Construction Fund</b>	To receive and disburse bond proceeds for the initial specified capital projects.
<b>Renewal and Replacement Fund</b>	To accumulate and disburse funds for additions to, or major repairs of, the system.

Annual debt service requirements as of September 30, 2007, are as follows:

Fiscal Year	Governmental Activities					
	Note Payable		Lease Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 100,000	\$ 23,320	\$ 22,036	\$ 4,307	\$ 122,036	\$ 27,627
2009	105,000	18,020	23,041	3,301	128,041	21,321
2010	115,000	12,455	24,093	2,249	139,093	14,704
2011	120,000	6,360	25,193	1,150	145,193	7,510
<b>Total</b>	<b>\$ 440,000</b>	<b>\$ 60,155</b>	<b>\$ 94,363</b>	<b>\$ 11,007</b>	<b>\$ 534,363</b>	<b>\$ 71,162</b>

Fiscal Year	Business Activities					
	Revenue Bonds		Lease Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 502,362	\$ 272,222	\$ 29,745	\$ 5,813	\$ 532,107	\$ 278,035
2009	524,000	250,356	31,135	4,423	555,135	254,779
2010	545,708	227,353	17,750	2,969	563,458	230,322
2011	567,489	203,254	18,689	2,030	586,178	205,284
2012	594,344	177,770	19,075	1,041	613,419	178,811
2013-2017	667,446	723,327			667,446	723,327
2018-2022	373,401	622,700			373,401	622,700
2023-2027	391,738	544,955			391,738	544,955
2028-2032	482,365	454,328			482,365	454,328
2033-2037	593,957	342,735			593,957	342,735
2038-2042	731,369	205,325			731,369	205,325
2043-2047	515,242	44,301			515,242	44,301
<b>Total</b>	<b>\$ 6,489,421</b>	<b>\$ 4,068,626</b>	<b>\$ 116,394</b>	<b>\$ 16,276</b>	<b>\$ 6,605,815</b>	<b>\$ 4,084,902</b>

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 7 - Long-term Debt (Concluded)**

Interest paid in the governmental activities totaled \$33,677 for the year ended September 30, 2007. Interest costs incurred in the business-type activities (excluding amortization) totaled \$365,189 for the same period.

**Bond Issuance Costs and Refunding Loss**

Bond issuance costs of \$163,506 incurred in conjunction with the issuance of the Electrical System Revenue Bonds, Series 1999, are being amortized over the life of the obligation (approximately 13 years) using the straight-line method. Amortization of issuance costs on the Series 1999 bonds was \$11,679 for the year ended September 30, 2007. The unamortized balance at September 30, 2007, is \$62,288.

Bond issuance costs of \$46,650 incurred in conjunction with the issuance of the Wastewater Utility System Revenue Bonds, Series 2005A and 2005B, are being amortized over the life of the obligation (40 years) using the straight-line method. Amortization of issuance costs on the Series 2005A and 2005B bonds was \$1,166 for the year ended September 30, 2007. The unamortized balance at September 30, 2007, is \$44,318.

Bond issuance costs of \$23,972 incurred in conjunction with the issue of the Stormwater System Revenue Bonds, Series 1998, are being amortized over the life of the obligation (14 years) using the straight-line method. Amortization of issuance costs on the Series 1998 bonds was \$1,713 for the year ended September 30, 2007. The unamortized balance at September 30, 2007, is \$8,989.

Bond issuance costs of \$12,906 incurred in conjunction with the issue of the Capital Improvement Revenue Bond, Series 2000, are being amortized over the life of the obligation (14 years) using the straight-line method. Amortization of issuance costs on the Series 2000 bonds was \$922 for the year ended September 30, 2007. The unamortized balance at September 30, 2007, is \$6,453.

A refunding loss of \$334,613 incurred in conjunction with the issuance of the Electrical System Revenue Bonds, Series 1999, is being amortized over the life of the bonds using the straight-line method. Amortization of refunding loss on the Series 1999 bonds was \$23,901 for the year ended September 30, 2007, and is included as a component of interest expense. Unamortized refunding loss of \$127,471 is netted against bonds payable on the statements of net assets.

**Note 8 - Enterprise Fund Assets Pledged for Revenue Bond Debt Service**

The water and sewer utility fund, the electric utility fund, mobile home park fund, and the stormwater utility fund each had revenue bonds outstanding at September 30, 2007. The ordinances authorizing the issuance of these bonds required that monies be set aside in separate restricted accounts for the payment of bond principal and interest, and to create reserves until the maturity of the bond issued. In addition, customer deposits and impact fees are also restricted in accordance with applicable laws and regulations. The following schedule shows all restricted asset requirements compared to the assets pledged to meet those requirements as of September 30, 2007:



**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 8 - Enterprise Fund Assets Pledged for Revenue Bond Debt Service (Concluded)**

	<b>Electric</b>	
	<b>Actual</b>	<b>Required</b>
Debt Retirement:		
1999 Sinking Fund	\$ 274,865	\$ 274,073
Reserve	478,975	184,500
Customer Deposits	232,163	232,163
Renewal and Replacement	291,570	291,570
<b>Total</b>	<b>\$ 1,277,573</b>	<b>\$ 982,306</b>

	<b>Water and Sewer</b>	
	<b>Actual</b>	<b>Required</b>
Debt Retirement:		
1982 Sinking Fund	\$ 18,114	\$ 1,957
1982 Reserve	49,134	23,487
2005A and 2005B Sinking Fund	15,865	15,612
2005A and 2005B Reserve	37,536	37,468
Customer Deposits	78,516	78,272
Impact Fees	186,083	186,083
<b>Total</b>	<b>\$ 385,248</b>	<b>\$ 342,879</b>

	<b>Stormwater</b>	
	<b>Actual</b>	<b>Required</b>
Debt Retirement:		
1998 Sinking Fund	\$ 86,604	\$ 86,362
Construction Account	107,822	107,822
<b>Total</b>	<b>\$ 194,426</b>	<b>\$ 194,184</b>

	<b>Natural Gas</b>	
	<b>Actual</b>	<b>Required</b>
Customer Deposits	\$ 48,514	\$ 48,274

	<b>Mobile Home</b>	
	<b>Actual</b>	<b>Required</b>
Debt Retirement:		
2000 Sinking Fund	\$ 19,399	\$ 19,116

**Note 9 - Interfund Accounts**

Due from/to other funds represent primarily short-term loans to cover other funds' deficits in pooled cash and investments. The largest amounts are funds which have been advanced to the support services fund to help cover the cost of inventory on hand. At September 30, 2007, the balance in due from/to other funds consists of the following:

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 9 - Interfund Accounts (Concluded)**

	<b>Due From</b>	<b>Due To</b>
<b>Governmental Funds</b>		
General Fund	\$ 1,350	
<b>Enterprise Funds</b>		
Electric Utility	80,037	
Water and Sewer Utility	4,612	
Natural Gas Utility	943	
Internal Service Fund:		
Support Services		\$ 86,942
<b>Total</b>	<b>\$ 86,942</b>	<b>\$ 86,942</b>

Interfund transfers for the year ended September 30, 2007, were as follows:

	<b>Transfers Out</b>	<b>Transfers In</b>
<b>Governmental Funds</b>		
General Fund	\$ 147,438	\$ 845,330
Debt Service Fund		147,438
<b>Enterprise Funds</b>		
Electric Utility	550,000	
Water and Sewer Utility	80,780	
Natural Gas Utility	28,810	
Mobile Home Park	139,140	
Solid Waste	46,600	
<b>Total</b>	<b>\$ 992,768</b>	<b>\$ 992,768</b>

The transfer from the general fund to the debt service fund is for debt service. The transfers from the enterprise funds to the general fund are per budget, and supplement general fund revenues.

**Note 10 - Reserved Fund Balance and Restricted Net Assets**

Various funds/activities report the following reserved fund balances and restricted net assets at September 30, 2007:

	<b>Reserved Fund Balance</b>	<b>Restricted Net Assets</b>
<b>Governmental Funds/Activities</b>		
Encumbrances	\$ 258,645	
Law Enforcement	27,100	\$ 27,100
Petty Cash	1,100	
Debt Service	31,216	
<b>Total Governmental Funds/Activities</b>	<b>\$ 318,061</b>	<b>\$ 27,100</b>

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 10 - Reserved Fund Balance and Restricted Net Assets (Concluded)**

	<b>Restricted Net Assets</b>
<b>Enterprise Funds/Business-type Activities</b>	
Debt Retirement	\$ 86,670
Renewal and Replacement	291,570
Construction - Impact Fees	186,083
<b>Total Enterprise Funds/Business-type Activities</b>	<b>\$ 564,323</b>

**Note 11 - Mobile Home Park Leases**

The mobile home park leases out spaces for mobile homes under cancelable month-to-month leases. Monthly lease amounts recorded in the mobile home park fund vary depending on lot size and lot location.

**Note 12 - Support Services Fund**

**Inventory**

The inventory in the support services fund (an internal service fund) is principally priced at a moving average cost not in excess of market.

Each department is billed a service fee designed to cover the support services fund's overhead and administrative costs. Each user department's service fee is based on that department's pro rata share of the prior year's actual purchase of goods from the support services fund. No sales or cost of sales are recorded in the support services fund because goods are invoiced to user departments at cost.

**Note 13 - Retirement Trust Funds**

Actuarial data as of October 1, 2005, the latest actuarial valuation.

■ **Plan Description**

The City Commission is the administrator of a single-employer public employee retirement system established to provide pension benefits for its employees. The system does not prepare a stand-alone financial report. The system maintains plans for its police officers, fire fighters and other general employees, and has the following participants:

	<b>General Employees' Fund</b>	<b>Police Officers' Fund</b>	<b>Fire Fighters' Fund</b>
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to, But Not Yet Receiving Benefits	18	9	7
Current Employees:			
Active Vested and Nonvested	48	13	27
<b>Total</b>	<b>66</b>	<b>22</b>	<b>34</b>

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 13 - Retirement Trust Funds (Continued)**

■ **Plan Description (Continued)**

● **Effective Date**

January 1, 1969; Amended by Ordinances No. 79-1, 80-9, 84-6, 85-1, 88-23, 92-15, 95-4, 96-18, 98-13, and 00-27.

● **Eligibility Requirements**

All full-time, permanent general, police, and fire employees become members on the first day of the month following their date of employment, but not earlier than January 1, 1969. Employees hired prior to January 1, 1969, must have been less than age 60 on their date of hire to be included. The City Manager may elect not to participate in this plan.

● **Creditable Service**

Consists of membership service which is service while a member, computed in years and fractions to the nearest full month; and past service which is service from date of hire to the effective date.

● **Annual Earnings**

Compensation actually paid to a participant, including overtime and payment for accrued vacation and longevity, but excluding bonuses. For fire fighters, there is no unused accrued vacation pay.

● **Normal Retirement Date**

At the earliest of the following:

- (a) Age 62 (55 for police officers and fire fighters) and completion of 30 years of service.
- (b) Age 65 (60 for police officers and fire fighters) and completion of 10 years of service.
- (c) Age 60 and completion of 35 years of service (general employees only).
- (d) Completion of 40 years of service, regardless of age.\*
- (e) Age 70 (65 for police officers and fire fighters).

\* Effective October 13, 1998, pursuant to an Actuarial Impact Statement dated September 18, 1998.

● **Normal Retirement Benefits**

Benefit provisions are established under the authority of the City Commission.

- ▶ **General Employees** - 1.50% of final five-year average annual earnings multiplied by years of creditable service.
- ▶ **Police Officers and Fire Fighters** - 1.75% of final five-year average annual earnings multiplied by years of creditable service.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 13 - Retirement Trust Funds (Continued)**

■ **Plan Description (Continued)**

● **Early Retirement Eligibility**

- ▶ **General Employees** - Completion of 20 years of creditable service, attainment of age 60 and approval of the City Manager.
- ▶ **Police Officers and Fire Fighters** - Completion of 10 years of creditable service, attainment of age 50 and approval of the City Manager.

● **Early Retirement Benefit**

- ▶ **General Employees** - Benefit accrued to early retirement date under normal retirement benefit formula reduced by 5% for each year early retirement date precedes age 65.
- ▶ **Police Officers and Fire Fighters** - Benefit accrued to early retirement date under normal retirement benefit formula reduced by 5% for each year early retirement date precedes age 60.

● **Delayed Retirement (Beyond Normal Retirement Date)**

- ▶ **Eligibility** - Consent of the City Manager.
- ▶ **Benefit** - Benefit accrued to delayed retirement date.

● **Termination (Vesting) Eligibility**

Completion of 10 years of creditable service.

● **Termination (Vesting) Benefit**

Benefit accrued to date of termination payable at normal retirement date.

● **Preretirement Death Benefit**

None.

● **Disability Retirement**

- ▶ **Service Incurred** - The greater of (a) 30% of pay at date of disability, or (b) accrued benefit.
- ▶ **Nonservice Incurred** - Less than 10 years of creditable service - none. At least 10 years of creditable service - accrued benefit payable as of the date of the disability.

● **Normal Form of Retirement Income**

- ▶ **General Employees** - Single Life Annuity.
- ▶ **Police Officers and Fire Fighters** - 10 Years Certain and Life Annuity.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 13 - Retirement Trust Funds (Continued)**

■ **Plan Description (Concluded)**

● **Plan Administrator**

City Commission of the City of Fort Meade, Florida.

● **Trustee**

Merrill Lynch Trust.

● **Contributions**

▶ **Employees** – None.

▶ **City** - As required by actuarial valuation (under the authority of the City Commission).

▶ **State** - None (employees are not participating).

■ **Summary of Significant Accounting Policies and Plan Asset Matters**

● **Basis of Accounting**

The pension trust funds' financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed.

● **Method Used to Value Investments**

All investments are reported at market for financial reporting purposes. For actuarial calculations, a five-year smoothed market valuation method is used.

There are no investments other than U.S. Government and U.S. Government guaranteed obligations in any one organization that represent 5% or more of net assets available for benefits.

■ **Contributions Required and Contributions Made**

The City's public employees retirement system funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the frozen entry age actuarial cost method. Under this method, the excess of the actuarial present value of projected benefits of all participants included in an actuarial valuation, over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability, is allocated on a level dollar basis (closed) over the earnings of the active participants between the valuation date and assumed normal retirement age. The allocation is performed for the group as a whole, not as a sum of individual allocations. The frozen actuarial accrued liability was initially determined using the entry age actuarial cost method. The portion of this actuarial present value allocated to a valuation year is called the normal cost. Under this method, the actuarial gains (losses), as they occur, reduce (increase) future normal costs.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 13 - Retirement Trust Funds (Continued)**

■ **Contributions Required and Contributions Made (Continued)**

Notwithstanding the above, the unfunded frozen actuarial accrued liability is not reduced below zero. It remains zero until the entry age-normal accrued liability exceeds the actuarial value of assets.

Contributions shown below were made in accordance with actuarially determined contribution requirements from the October 1, 2005, valuation. These contributions were for normal cost and to amortize any unfunded actuarial accrued liability, then adjusted for the frequency of payments and an assumed increase in covered payroll. Contributions expressed in dollars and as a percent of total payroll of active participants were as follows:

	<b>General Employees' Fund</b>	<b>Police Officers' Fund</b>	<b>Fire Fighters' Fund</b>
Normal Cost	\$ 115,491	\$ 45,194	\$ 7,525
Amortization of Unfunded Actuarial Liability	<u>10,890</u>	<u>19,258</u>	<u>849</u>
<b>Annual Required Contribution, if Paid on Valuation Date</b>	<u>\$ 126,381</u>	<u>\$ 64,452</u>	<u>\$ 8,374</u>
 <b>Annual Required Employer Contribution Adjusted for Frequency of Payments and Increase in Covered Payroll</b>	 <u>\$ 137,231</u>	 <u>\$ 69,937</u>	 <u>\$ 9,088</u>

The minimum required employer contributions are converted to percentages of covered payroll for purposes of determining the minimum required contributions for the year ended September 30, 2007 (see below).

Following is the projected covered payroll and the minimum required contributions expressed as a percentage of covered payroll from the October 1, 2005, valuation:

	<b>General Employees' Fund</b>	<b>Police Officers' Fund</b>	<b>Fire Fighters' Fund</b>
Covered Employees' Payroll for the Plan Year Ended September 30, 2007: Projected	<u>\$ 1,581,002</u>	<u>\$ 577,034</u>	<u>\$ 101,661</u>
 Minimum Required Contribution as a Percentage of Covered Payroll	 8.68%	 12.12%	 8.94%

Listed below is the actual covered payroll for the year ended September 30, 2007, and the computed minimum required contribution:

**NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
(Continued)**

**Note 13 - Retirement Trust Funds (Continued)**

■ **Contributions Required and Contributions Made (Concluded)**

Covered employees' payroll for the plan year ended September 30, 2007:

	<u>General Employees' Fund</u>	<u>Police Officers' Fund</u>	<u>Fire Fighters' Fund</u>
Actual	\$ 1,587,465	\$ 655,701	\$ 136,588
Minimum Required Employer Contribution	8.68%	12.12%	8.94%
Computed Minimum Required Contribution	<u>\$ 137,792</u>	<u>\$ 79,471</u>	<u>\$ 12,211</u>
Actual Contributions for Plan Year Ended September 30, 2007: Employer Total	<u>\$ 137,792</u>	<u>\$ 79,471</u>	<u>\$ 12,211</u>

The total payroll for all employees (covered and uncovered) of the City was \$2,723,436 for the year ended September 30, 2007.

There have been no changes in benefits or actuarial assumptions since the prior actuarial valuation.

**Annual Pension Cost and Net Pension Obligation**

The City's annual pension cost for the year ended September 30, 2007, was \$229,474 (the actual contribution for all plans - City share). The annual required contribution for the 2007 fiscal year was determined as part of the October 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions in the October 1, 2005, valuations included (a) 8.0% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 6.5% to 7.0% per year; and (c) 3.5% rate of inflation. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a level dollar, closed basis.

The remaining amortization period at October 1, 2005, was twenty-three years.

**General Employees' Trend Information**

<u>Year Ended September 30,</u>	<u>Pension Cost (PC)</u>	<u>Percentage of PC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 104,991	100.0%	\$ 0
2006	128,346	100.0%	0
2007	137,792	100.0%	0



**NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
(Continued)**

**Note 13 - Retirement Trust Funds (Concluded)**

**Annual Pension Cost and Net Pension Obligation (Concluded)**

**Police Officers' Trend Information**

<b>Year Ended September 30,</b>	<b>Pension Cost (PC)</b>	<b>Percentage of PC Contributed</b>	<b>Net Pension Obligation</b>
2005	\$ 81,265	100.0%	\$ 0
2006	75,756	100.0%	0
2007	79,471	100.0%	0

**Fire Fighters' Trend Information**

<b>Year Ended September 30,</b>	<b>Pension Cost (PC)</b>	<b>Percentage of PC Contributed</b>	<b>Net Pension Obligation</b>
2005	\$ 8,993	100.0%	\$ 0
2006	10,304	100.0%	0
2007	12,211	100.0%	0

**Note 14 - Employee Flex Benefit Plan**

The City sponsors an unfunded, contributory welfare program which covers all employees meeting a minimum eligibility criteria. The program is intended to qualify for favored tax treatment under Internal Revenue Code Section 125 as a Cafeteria Plan. The plan must comply with various aspects of the Employee Retirement Income Security Act (ERISA) of 1974, as amended, and comply with certain income tax regulations thereunder.

Under the terms of the plan, the City provides each eligible employee with a flexible spending account which may be utilized to purchase certain health insurance and other welfare benefits. Employees may further authorize the voluntary reduction of their taxable payroll to increase the amount of benefits to be purchased on their behalf. Employees so electing may receive their benefits in cash, subjecting such benefits to various employment and income taxes.

For the year ended September 30, 2007, the City paid no costs relative to this program except for the employer's share of FICA taxes for employees electing cash benefits. Employees electing noncash benefits voluntarily reduced their taxable wages by \$202,497 for this period, providing the City with current employment tax savings of \$15,491.

**Note 15 - Segment Information**

The following information is included for the Mobile Home Park Fund, a nonmajor enterprise fund with outstanding bonds secured by a pledge of net revenues:

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 15 - Segment Information (Concluded)**

**Condensed Statement of Net Assets**

	<b>Total</b>
<b>Assets</b>	
Current Assets	\$ 19,607
Restricted Assets	19,399
Capital Assets	392,692
Other Assets	6,453
<b>Total Assets</b>	438,151
<b>Liabilities</b>	
Current Liabilities	23,690
Current Liabilities Payable from Restricted Assets	36,616
Noncurrent Liabilities	255,275
<b>Total Liabilities</b>	315,581
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	114,145
Unrestricted	8,425
<b>Total Net Assets</b>	\$ 122,570

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

	<b>Total</b>
<b>Operating Revenues</b>	\$ 339,286
<b>Operating Expenses</b>	
Depreciation	16,615
Other	165,544
<b>(Total Operating Expenses)</b>	(182,159)
<b>Operating Income</b>	157,127
<b>Net Nonoperating Expenses</b>	(14,819)
<b>Transfers (out)</b>	(139,140)
<b>Increase in Net Assets</b>	3,168
<b>Net Assets, Beginning of Year</b>	119,402
<b>Net Assets, End of Year</b>	\$ 122,570

**Condensed Statement of Cash Flows**

	<b>Total</b>
<b>Cash Flows from:</b>	
Operating Activities	\$ 157,230
Noncapital Financing Activities	(138,963)
Capital and Related Financing Activities	(42,253)
Investing Activities	2,475
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(21,511)
<b>Cash and Cash Equivalents, Beginning of Year</b>	60,517
<b>Cash and Cash Equivalents, End of Year</b>	\$ 39,006

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Note 16 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City is a member of Public Risk Management of Florida (PRM), a local government risk management pool. The PRM program is structured under a self-insured insurance program, whereby PRM pays claims up to a specified amount annually for property and general liability, public officials' liability, automobile liability and workers' compensation. PRM purchases excess insurance or stop loss insurance from commercial carriers to cover losses above the self-insured retention amounts. PRM assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. PRM cannot make additional assessments against members.

Insurance coverage has not changed significantly during the current or prior year.

**Note 17 - Commitment and Contingencies**

During the 2007 fiscal year, the City received and recorded revenues related to various grants. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

The City is involved in legal actions which, in the opinion of management, will not have a material effect on the financial statements of the City.

The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, liabilities from these lease agreements are not reflected in the City's account groups. Remaining minimum lease payments are not significant.

**Power Contracts**

Prior to February 1, 2000, the City purchased all of its capacity and energy requirements for its electric distribution system from Tampa Electric Company (TECO) under an All-Requirements Contract (the Contract) extending through 2013, with a five-year out provision. Terms of the Contract called for significant price increases effective January 1, 1999.

Effective February 1, 2000, the City assigned all rights and interest in the TECO contract to the Florida Municipal Power Agency (FMPA) and began purchasing power from FMPA under a new Contract. FMPA was created pursuant to Chapter 163, Parts I and II (*The Interlocal Act and The Joint Power Act*) to, among other things, provide a means for the Florida municipal electric corporations to cooperate with each other to provide for present and projected energy needs. The City had been a member of FMPA for some time prior to 2000, and occupies one of the 28 seats on the FMPA Board. Under terms of the Contract, the City has no equity interest in any of the assets of FMPA, but has signed as guarantor on certain liabilities of the Contract. The Contract extends through 2030.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
*(Concluded)*

**Note 18 - Subsequent Event**

Effective January 1, 2008, the City dissolved the Fort Meade Police Department and authorized the Polk County Sheriff to provide police services within the City. Pursuant to the agreement between the City and Sheriff, the Sheriff agreed to maintain a stated level of service and staffing, and provide semiannual performance reports to the City. City Police Department vehicles and equipment, and active case evidence and records, were turned over to the Sheriff on the effective date. Similar assets and records are to be returned to the City at termination.

Most employees of the City Police Department were transferred to the Sheriff after successful background checks, along with their accrued vacation and sick leave balances to a specified maximum. Pursuant to Florida law, transferred employees could opt to remain members of the City's retirement program or join the Florida Retirement System (FRS) in which the Sheriff participates. For any who remain members of the City plan, the Sheriff is to periodically reimburse the City at the applicable FRS rates.

The City is responsible for the costs of insurance and maintenance of their existing Police Department facilities for the Sheriff's exclusive use, which includes the costs of grounds and building maintenance, and janitorial services. Future space planning will be coordinated between the two organizations.

Under the agreement, the City shall pay the Sheriff a total of \$749,785 for the first nine months through September 2008 (in quarterly installments), for the base services, and set future amounts for each fiscal year through 2012, as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 1,040,851
2010	1,067,888
2011	1,110,937
2012	1,140,302

Charges for additional services requested by the City would be at actual cost. Unless terminated by either party, the agreement will be automatically renewed on an annual basis indefinitely, subject to annual budgetary approval by both parties. The agreement may be terminated by either party, with three years notice.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Taxes	\$ 1,533,990	\$ 1,533,990	\$ 1,626,137	\$ 92,147
Licenses and Permits	99,270	99,270	96,502	(2,768)
Intergovernmental	880,380	880,380	838,734	(41,646)
Charges for Services	17,500	17,500	15,925	(1,575)
Fines and Forfeitures	141,200	151,200	149,611	(1,589)
Interest and Miscellaneous	64,620	64,620	91,508	26,888
Interfund Service Charges	166,050	166,050	166,066	16
<b>Total Revenues</b>	<u>2,903,010</u>	<u>2,913,010</u>	<u>2,984,483</u>	<u>71,473</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative	21,470	21,470	24,902	(3,432)
Executive	212,930	212,930	267,734	(54,804)
Finance	428,560	428,560	442,213	(13,653)
Legal Counsel	37,230	37,230	77,874	(40,644)
Planning	25,230	25,230	848	24,382
Other General Government	136,330	136,330	132,663	3,667
Public Safety:				
Police	1,240,960	1,250,960	1,265,142	(14,182)
Fire	222,440	222,440	197,172	25,268
Inspections	169,090	169,090	97,620	71,470
Transportation - Streets	309,730	309,730	270,850	38,880
Economic Environment	42,460	42,460	28,750	13,710
Culture and Recreation:				
Library	182,180	182,180	166,632	15,548
Recreation	178,370	178,370	176,088	2,282
Parks	480,790	480,790	469,191	11,599
<b>(Total Expenditures)</b>	<u>(3,687,770)</u>	<u>(3,697,770)</u>	<u>(3,617,679)</u>	<u>80,091</u>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	<u>(784,760)</u>	<u>(784,760)</u>	<u>(633,196)</u>	<u>151,564</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	849,710	849,710	845,330	(4,380)
Transfers (out)	(174,950)	(174,950)	(147,438)	27,512
Proceeds of Long-term Debt	110,000	110,000		(110,000)
<b>Total Other Financing Sources (Uses)</b>	<u>784,760</u>	<u>784,760</u>	<u>697,892</u>	<u>(86,868)</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 64,696</u>	<u>\$ 64,696</u>

**NOTE TO SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
CITY OF FORT MEADE, FLORIDA**

Schedules of revenues, expenditures, and changes in fund balances are *required supplementary information* for the general fund and all major special revenue funds with legally adopted budgets.

The annual budgets for the governmental fund types are prepared in accordance with the basis of accounting utilized by those funds, which is the modified accrual basis of accounting. Under 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. For this purpose, the City of Fort Meade, Florida (the City) considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures/expenses among departments, or in total, must be approved by the City Commission. During the year and subsequent to year-end, the City Commission may adopt an amended budget approving such additional expenditures. The accompanying schedule shows the budget as originally adopted and, as amended. All annual appropriations lapse at fiscal year-end.

**SCHEDULES OF FUNDING PROGRESS  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

**GENERAL EMPLOYEES**

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Frozen Actuarial Accrued Liability (FAAL)	(4) Unfunded Frozen Actuarial Accrued Liability (UFAAL) (3) - (2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UFAAL As Percent of Payroll (4)/(6)
October 1, 1998	\$ 1,782	\$ 1,933	\$ 151	92.2%	\$ 856	17.6%
October 1, 1999	\$ 1,976	\$ 2,124	\$ 148	93.0%	\$ 967	15.3%
October 1, 2001	\$ 2,325	\$ 2,333	\$ 8	99.7%	\$ 1,370	0.6%
October 1, 2002	\$ 2,461	\$ 2,578	\$ 117	95.5%	\$ 1,349	8.7%
October 1, 2003	\$ 2,638	\$ 2,702	\$ 64	97.6%	\$ 1,338	4.8%
October 1, 2004	\$ 2,804	\$ 2,996	\$ 192	93.6%	\$ 1,383	13.9%
October 1, 2005	\$ 2,993	\$ 3,313	\$ 320	90.3%	\$ 1,528	21.0%

**Note:** Dollar amounts in thousands, no valuation performed October 1, 2000 and 2006.

**POLICE OFFICERS**

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Frozen Actuarial Accrued Liability (FAAL)	(4) Unfunded Frozen Actuarial Accrued Liability (UFAAL) (3) - (2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UFAAL As Percent of Payroll (4)/(6)
October 1, 1998	\$ 854	\$ 1,081	\$ 227	79.0%	\$ 427	53.2%
October 1, 1999	\$ 944	\$ 1,176	\$ 232	80.3%	\$ 479	48.4%
October 1, 2001	\$ 1,097	\$ 1,280	\$ 183	85.7%	\$ 537	34.1%
October 1, 2002	\$ 1,153	\$ 1,467	\$ 314	78.6%	\$ 521	60.3%
October 1, 2003	\$ 1,241	\$ 1,438	\$ 197	86.3%	\$ 489	40.4%
October 1, 2004	\$ 1,329	\$ 1,462	\$ 132	90.9%	\$ 553	23.9%
October 1, 2005	\$ 1,427	\$ 1,540	\$ 113	92.7%	\$ 558	20.2%

**Note:** Dollar amounts in thousands, no valuation performed October 1, 2000 and 2006.



**SCHEDULES OF FUNDING PROGRESS  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA  
(Concluded)**

**FIRE FIGHTERS**

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Frozen Actuarial Accrued Liability (FAAL)	(4) Unfunded Frozen Actuarial Accrued Liability (UFAAL) (3) - (2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UFAAL As Percent of Payroll (4)/(6)
October 1, 1998	\$ 231	\$ 247	\$ 16	93.5%	\$ 80	20.0%
October 1, 1999	\$ 237	\$ 254	\$ 17	93.3%	\$ 78	21.8%
October 1, 2001	\$ 274	\$ 283	\$ 9	96.8%	\$ 109	8.3%
October 1, 2002	\$ 292	\$ 266	\$ (26)	109.8%	\$ 77	-33.7%
October 1, 2003	\$ 311	\$ 263	\$ (48)	118.3%	\$ 74	-65.2%
October 1, 2004	\$ 329	\$ 310	\$ (19)	106.1%	\$ 94	-20.3%
October 1, 2005	\$ 346	\$ 316	\$ (30)	109.5%	\$ 98	-30.5%

**Note:** Dollar amounts in thousands, no valuation performed October 1, 2000 and 2006.

**SCHEDULE OF CONTRIBUTIONS  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

(1) Plan Year	General		Police Officers		Fire Fighters	
	(2) Annual Required Contribution*	(3) Percent Contributed**	(2) Annual Required Contribution*	(3) Percent Contributed**	(2) Annual Required Contribution*	(3) Percent Contributed**
1998-1999	\$ 80,171	100.0%	\$ 72,435	100.0%	\$ 12,186	100.0%
1999-2000	\$ 67,324	100.0%	\$ 69,907	100.0%	\$ 9,755	100.0%
2000-2001	\$ 84,400	91.0%	\$ 77,558	81.0%	\$ 12,379	53.0%
2001-2002	\$ 87,032	100.0%	\$ 71,762	100.0%	\$ 9,914	100.0%
2002-2003	\$ 107,185	100.0%	\$ 92,670	100.0%	\$ 13,708	100.0%
2003-2004	\$ 102,518	100.0%	\$ 86,588	100.0%	\$ 8,465	100.0%
2004-2005	\$ 96,228	100.0%	\$ 74,903	100.0%	\$ 5,528	100.0%
2005-2006	\$ 116,214	100.0%	\$ 74,516	100.0%	\$ 9,808	100.0%
2005-2006	\$ 137,792	100.0%	\$ 79,471	100.0%	\$ 12,211	100.0%

\* Annual required contribution consists of normal costs, amortization payment and expenses as of the beginning of the year (i.e., interest is incorporated) less expected employee contributions.

\*\* 100% implies that at least 100% was contributed.

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
PENSION TRUST FUNDS  
CITY OF FORT MEADE, FLORIDA**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

<b>Valuation Date</b>	October 1, 2005
<b>Actuarial Cost Method</b>	Frozen Entry Age Actuarial Cost Method
<b>Amortization Method</b>	Level Dollar, Closed
<b>Remaining Amortization Period</b>	23 Years
<b>Asset Valuation Method</b>	5-Year Smoothed Market
<b>Actuarial Assumptions</b>	
Investment Rate of Return*	8.0%
Projected Salary Increases*	General Employees: 6.5%
	Police Officers: 7.0%
	Fire Fighters: 7.0%
*Includes Inflation at	3.50%
Cost-of-Living Adjustments	None

## **COMBINING FINANCIAL STATEMENTS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	<u>Grants</u>	<u>Hurricane Fund</u>	<u>Debt Service</u>	<u>Totals</u>
<b>Assets</b>				
Cash and Cash Equivalents		\$ 85,788	\$ 31,216	\$ 117,004
<b>Total Assets</b>	<u>\$ 0</u>	<u>85,788</u>	<u>31,216</u>	<u>117,004</u>
<b>Liabilities</b>				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>				
Reserved for Debt Service			31,216	31,216
Undesignated		85,788		85,788
<b>Total Fund Balances</b>	<u>0</u>	<u>85,788</u>	<u>31,216</u>	<u>117,004</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 0</u>	<u>\$ 85,788</u>	<u>\$ 31,216</u>	<u>\$ 117,004</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	<u>Grants</u>	<u>Hurricane Fund</u>	<u>Debt Service</u>	<u>Totals</u>
<b>Revenues</b>				
Intergovernmental	\$ 8,967			\$ 8,967
Interest and Miscellaneous			\$ 2,163	2,163
<b>Total Revenues</b>	<u>8,967</u>	<u>\$ 0</u>	<u>2,163</u>	<u>11,130</u>
<b>Expenditures</b>				
Current:				
Public Safety	8,967			8,967
Physical Environment		34,000		34,000
Transportation		12,050		12,050
Culture and Recreation		83,737		83,737
Debt Service:				
Principal Retirement			116,074	116,074
Interest and Fiscal Charges			33,761	33,761
<b>(Total Expenditures)</b>	<u>(8,967)</u>	<u>(129,787)</u>	<u>(149,835)</u>	<u>(288,589)</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>0</u>	<u>(129,787)</u>	<u>(147,672)</u>	<u>(277,459)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in			147,438	147,438
Insurance Recoveries		99,895		99,895
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>99,895</u>	<u>147,438</u>	<u>247,333</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	0	(29,892)	(234)	(30,126)
<b>Fund Balances, Beginning of Year</b>	<u>0</u>	<u>115,680</u>	<u>31,450</u>	<u>147,130</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 85,788</u>	<u>\$ 31,216</u>	<u>\$ 117,004</u>

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	<u>Natural Gas Utility</u>	<u>Mobile Home Park</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 35,383	\$ 19,607	\$ 191,972	\$ 246,962
Investments	5,263			5,263
Accounts Receivable	35,052		27,430	62,482
Unbilled Receivables	10,436		14,598	25,034
(Allowance for Doubtful Accounts)	(880)		(2,323)	(3,203)
Interest Receivable	84			84
Due from Other Funds	943			943
Restricted Assets:				
Debt Retirement:				
Cash and Cash Equivalents		19,399		19,399
Customer Deposits:				
Cash and Cash Equivalents	39,010			39,010
Investments	9,504			9,504
<b>Total Current Assets</b>	<u>134,795</u>	<u>39,006</u>	<u>231,677</u>	<u>405,478</u>
<b>Noncurrent Assets</b>				
Capital Assets:				
Land		10,864		10,864
Plant and Equipment	509,026	518,028	410,663	1,437,717
(Accumulated Depreciation)	(371,337)	(138,850)	(298,786)	(808,973)
Construction in Progress		2,650		2,650
Total Capital Assets, Cost				
Less Deprecation	137,689	392,692	111,877	642,258
Other Assets:				
Deferred Charges for Bond Issuance				
Costs, Net of Accumulated Amortization		6,453		6,453
<b>Total Noncurrent Assets</b>	<u>137,689</u>	<u>399,145</u>	<u>111,877</u>	<u>648,711</u>
<b>Total Assets</b>	<u>\$ 272,484</u>	<u>\$ 438,151</u>	<u>\$ 343,554</u>	<u>\$ 1,054,189</u>

**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2007**  
**CITY OF FORT MEADE, FLORIDA**  
*(Concluded)*

	<u>Natural Gas Utility</u>	<u>Mobile Home Park</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 7,670	\$ 4,186	\$ 14	\$ 11,870
Accrued Liabilities	2,428	710		3,138
Due to Other Funds				0
Deferred Revenue		18,763		18,763
Accrued Compensated Absences	643	31		674
Current Liabilities Payable from Restricted Assets:				
Bonds Payable - Current Portion		30,000		30,000
Accrued Interest		6,616		6,616
Customer Deposits	48,274		2,610	50,884
<b>Total Current Liabilities</b>	<u>59,015</u>	<u>60,306</u>	<u>2,624</u>	<u>121,945</u>
<b>Noncurrent Liabilities</b>				
Bonds Payable		255,000		255,000
Accrued Compensated Absences	5,794	275		6,069
<b>Total Noncurrent Liabilities</b>	<u>5,794</u>	<u>255,275</u>	<u>0</u>	<u>261,069</u>
<b>Total Liabilities</b>	<u>64,809</u>	<u>315,581</u>	<u>2,624</u>	<u>383,014</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	137,689	114,145	111,877	363,711
Unrestricted	69,986	8,425	229,053	307,464
<b>Total Net Assets</b>	<u>\$ 207,675</u>	<u>\$ 122,570</u>	<u>\$ 340,930</u>	<u>\$ 671,175</u>



**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	<b>Natural Gas Utility</b>	<b>Mobile Home Park</b>	<b>Solid Waste</b>	<b>Totals</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 325,027	\$ 339,286	\$ 312,742	\$ 977,055
<b>Operating Expenses</b>				
Purchases for Resale	144,736			144,736
Personal Services	54,885	28,955		83,840
Other Services and Charges	74,192	136,589	285,076	495,857
Depreciation	12,102	16,615	18,647	47,364
<b>(Total Operating Expenses)</b>	<u>(285,915)</u>	<u>(182,159)</u>	<u>(303,723)</u>	<u>(771,797)</u>
<b>Operating Income</b>	<u>39,112</u>	<u>157,127</u>	<u>9,019</u>	<u>205,258</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Revenue	4,158	2,475	4,814	11,447
Other Nonoperating Revenues	190	177		367
Interest Expense and Fiscal Charges		(17,471)		(17,471)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>4,348</u>	<u>(14,819)</u>	<u>4,814</u>	<u>(5,657)</u>
<b>Income Before Transfers</b>	43,460	142,308	13,833	199,601
<b>Transfers (out)</b>	<u>(28,810)</u>	<u>(139,140)</u>	<u>(46,600)</u>	<u>(214,550)</u>
<b>Increase (Decrease) in Net Assets</b>	14,650	3,168	(32,767)	(14,949)
<b>Net Assets, Beginning of Year</b>	<u>193,025</u>	<u>119,402</u>	<u>373,697</u>	<u>686,124</u>
<b>Net Assets, End of Year</b>	<u>\$ 207,675</u>	<u>\$ 122,570</u>	<u>\$ 340,930</u>	<u>\$ 671,175</u>

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	<b>Natural Gas Utility</b>	<b>Mobile Home Park</b>	<b>Solid Waste</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers and Users	\$ 314,043	\$ 322,009	\$ 309,935	\$ 945,987
Cash Payments to Vendors for Goods and Services	(219,586)	(135,930)	(307,611)	(663,127)
Cash Payments to Employees for Services	(53,342)	(28,849)		(82,191)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>41,115</u>	<u>157,230</u>	<u>2,324</u>	<u>200,669</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Interfund Loans	(18,527)			(18,527)
Miscellaneous Nonoperating Revenues	190	177		367
Operating Transfers in (out)	(28,810)	(139,140)	(46,600)	(214,550)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>(47,147)</u>	<u>(138,963)</u>	<u>(46,600)</u>	<u>(232,710)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal Paid on Revenue Bonds		(25,000)		(25,000)
Interest Paid on Notes Payable and Long-term Debt		(17,129)		(17,129)
Acquisition of Property, Plant and Equipment	(3,447)	(124)		(3,571)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(3,447)</u>	<u>(42,253)</u>	<u>0</u>	<u>(45,700)</u>
<b>Cash Flows from Investing Activities</b>				
Interest Received on Investments	4,298	2,475	4,814	11,587
Investments Matured	15,095			15,095
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>19,393</u>	<u>2,475</u>	<u>4,814</u>	<u>26,682</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	9,914	(21,511)	(39,462)	(51,059)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>64,479</u>	<u>60,517</u>	<u>231,434</u>	<u>356,430</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 74,393</u>	<u>\$ 39,006</u>	<u>\$ 191,972</u>	<u>\$ 305,371</u>

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA  
(Concluded)**

	<b>Natural Gas Utility</b>	<b>Mobile Home Park</b>	<b>Solid Waste</b>	<b>Totals</b>
<b><u>Included in the Accompanying Balance Sheet Under the Following Captions</u></b>				
<b>Cash and Cash Equivalents</b>				
Unrestricted	\$ 35,383	\$ 19,607	\$ 191,972	\$ 246,962
Restricted	39,010	19,399		58,409
<b>Total</b>	<b>\$ 74,393</b>	<b>\$ 39,006</b>	<b>\$ 191,972</b>	<b>\$ 305,371</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>				
Operating Income (Loss)	\$ 39,112	\$ 157,127	\$ 9,019	\$ 205,258
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	12,102	16,615	18,647	47,364
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):				
Accounts Receivable and Unbilled	(12,934)		(2,672)	(15,606)
Accounts Payable	(1,781)	627	(22,535)	(23,689)
Other Accrued Expenses	1,123	32		1,155
Accrued Compensated Absences	1,543	106		1,649
Deferred Revenues		(17,277)	(135)	(17,412)
Customer Deposits	1,950			1,950
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 41,115</b>	<b>\$ 157,230</b>	<b>\$ 2,324</b>	<b>\$ 200,669</b>

**Supplemental Disclosure of Noncash Activities**

None

**COMBINING STATEMENT OF PLAN NET ASSETS  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	<b>General Employees' Pension Fund</b>	<b>Police Officers' Pension Fund</b>	<b>Fire Fighters' Pension Fund</b>	<b>Totals</b>
<b>Assets</b>				
Cash and Investments Held by Custodian	\$ 3,526,180	\$ 1,659,472	\$ 394,099	\$ 5,579,751
Contributions Receivable	69,609	43,294	9,506	122,409
Interest Receivable	11,092	5,304	1,399	17,795
<b>Total Assets</b>	<b>3,606,881</b>	<b>1,708,070</b>	<b>405,004</b>	<b>5,719,955</b>
<b>Liabilities</b>				
Accounts Payable	1,733	825	193	2,751
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 3,605,148</b>	<b>\$ 1,707,245</b>	<b>\$ 404,811</b>	<b>\$ 5,717,204</b>

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

	<b>General Employees' Pension Fund</b>	<b>Police Officers' Pension Fund</b>	<b>Fire Fighters' Pension Fund</b>	<b>Totals</b>
<b>Additions</b>				
Contributions	\$ 137,792	\$ 79,471	\$ 12,211	\$ 229,474
Investment Income (Expenses):				
Earnings on Investments	432,934	202,133	47,846	682,913
(Investment Expense)	(16,620)	(7,853)	(1,882)	(26,355)
Net Investment Income	416,314	194,280	45,964	656,558
<b>Total Additions</b>	<b>554,106</b>	<b>273,751</b>	<b>58,175</b>	<b>886,032</b>
<b>Deductions</b>				
Administrative	3,928	1,871	450	6,249
Retirement Benefits and Termination Payments	129,752	76,286	15,879	221,917
<b>(Total Deductions)</b>	<b>(133,680)</b>	<b>(78,157)</b>	<b>(16,329)</b>	<b>(228,166)</b>
<b>Net Increase</b>	<b>420,426</b>	<b>195,594</b>	<b>41,846</b>	<b>657,866</b>
<b>Net Assets Held in Trust for Pension Benefits, Beginning of Year</b>	<b>3,184,722</b>	<b>1,511,651</b>	<b>362,965</b>	<b>5,059,338</b>
<b>Net Assets Held in Trust for Pension Benefits, End of Year</b>	<b>\$ 3,605,148</b>	<b>\$ 1,707,245</b>	<b>\$ 404,811</b>	<b>\$ 5,717,204</b>

**OTHER SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DEBT SERVICE PAYMENTS UNTIL MATURITY  
WATER AND SEWER UTILITY FUND  
UTILITIES REVENUE BONDS OF 1982  
CITY OF FORT MEADE, FLORIDA**

<b>Utilities Revenue Bonds of 1982</b>			
<b>Fiscal Year</b>	<b>Bond</b>		<b>Total</b>
	<b>Maturities</b>	<b>Interest</b>	
2008	\$ 13,816	\$ 9,671	\$ 23,487
2009	13,816	8,980	22,796
2010	13,816	8,289	22,105
2011	13,816	7,599	21,415
2012	13,816	6,908	20,724
2013	13,816	6,217	20,033
2014	13,816	5,526	19,342
2015	13,816	4,836	18,652
2016	13,816	4,145	17,961
2017	13,816	3,454	17,270
2018	13,816	2,763	16,579
2019	13,816	2,072	15,888
2020	13,816	1,382	15,198
2021	13,813	691	14,504
<b>Totals</b>	<b>\$ 193,421</b>	<b>\$ 72,533</b>	<b>\$ 265,954</b>

**SCHEDULE OF DEBT SERVICE PAYMENTS UNTIL MATURITY  
WATER AND SEWER UTILITY FUND  
UTILITY SYSTEM REVENUE BOND, SERIES 2005A  
CITY OF FORT MEADE, FLORIDA**

<u>Utility System Revenue Bond, Series 2005A</u>			
<u>Fiscal Year</u>	<u>Bond</u>		<u>Total</u>
	<u>Maturities</u>	<u>Interest</u>	
2008	\$ 30,289	\$ 116,918	\$ 147,207
2009	31,576	115,630	147,206
2010	32,918	114,288	147,206
2011	34,317	112,889	147,206
2012	35,775	111,431	147,206
2013	37,296	109,910	147,206
2014	38,881	108,325	147,206
2015	40,533	106,673	147,206
2016	42,256	104,950	147,206
2017	44,052	103,154	147,206
2018	45,924	101,282	147,206
2019	47,876	99,330	147,206
2020	49,910	97,296	147,206
2021	52,032	95,174	147,206
2022	54,243	92,963	147,206
2023	56,548	90,658	147,206
2024	58,952	88,254	147,206
2025	61,457	85,749	147,206
2026	64,069	83,137	147,206
2027	66,792	80,414	147,206
2028	69,631	77,575	147,206
2029	72,590	74,616	147,206
2030	75,675	71,531	147,206
2031	78,891	68,315	147,206
2032	82,244	64,962	147,206
2033	85,739	61,467	147,206
2034	89,383	57,823	147,206
2035	93,182	54,024	147,206
2036	97,142	50,064	147,206
2037	101,271	45,935	147,206
2038	105,575	41,631	147,206
2039	110,062	37,144	147,206
2040	114,739	32,467	147,206
2041	119,616	27,590	147,206
2042	124,700	22,506	147,206
2043	129,999	17,207	147,206
2044	135,524	11,682	147,206
2045	139,341	5,922	145,263
<b>Totals</b>	<u>\$ 2,751,000</u>	<u>\$ 2,840,886</u>	<u>\$ 5,591,886</u>



**SCHEDULE OF DEBT SERVICE PAYMENTS UNTIL MATURITY  
WATER AND SEWER UTILITY FUND  
UTILITY SYSTEM REVENUE BOND, SERIES 2005B  
CITY OF FORT MEADE, FLORIDA**

<u>Utility System Revenue Bond, Series 2005B</u>			
<u>Fiscal Year</u>	<u>Bond</u>		
	<u>Maturities</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 8,257	\$ 31,875	\$ 40,132
2009	8,608	31,524	40,132
2010	8,974	31,158	40,132
2011	9,356	30,777	40,133
2012	9,753	30,379	40,132
2013	10,168	29,965	40,133
2014	10,600	29,533	40,133
2015	11,050	29,082	40,132
2016	11,520	28,612	40,132
2017	12,010	28,123	40,133
2018	12,520	27,612	40,132
2019	13,052	27,080	40,132
2020	13,607	26,526	40,133
2021	14,185	25,947	40,132
2022	14,788	25,344	40,132
2023	15,417	24,716	40,133
2024	16,072	24,061	40,133
2025	16,755	23,378	40,133
2026	17,467	22,666	40,133
2027	18,209	21,923	40,132
2028	18,983	21,149	40,132
2029	19,790	20,343	40,133
2030	20,631	19,502	40,133
2031	21,508	18,625	40,133
2032	22,422	17,711	40,133
2033	23,375	16,758	40,133
2034	24,368	15,764	40,132
2035	25,404	14,729	40,133
2036	26,484	13,649	40,133
2037	27,609	12,523	40,132
2038	28,783	11,350	40,133
2039	30,006	10,127	40,133
2040	31,281	8,851	40,132
2041	32,611	7,522	40,133
2042	33,996	6,136	40,132
2043	35,441	4,691	40,132
2044	36,948	3,185	40,133
2045	37,992	1,615	39,607
<b>Totals</b>	<u>\$ 750,000</u>	<u>\$ 774,511</u>	<u>\$ 1,524,511</u>

**SCHEDULE OF DEBT SERVICE PAYMENTS UNTIL MATURITY  
ELECTRIC UTILITY FUND  
ELECTRICAL SYSTEM REFUNDING REVENUE BONDS, SERIES 1999  
CITY OF FORT MEADE, FLORIDA**

<b>Electrical System Refunding Revenue Bonds - Series 1999</b>			
<u><b>Fiscal Year</b></u>	<u><b>Bond Maturities</b></u>	<u><b>Interest</b></u>	<u><b>Total</b></u>
2008	\$ 340,000	\$ 69,493	\$ 409,493
2009	355,000	55,504	410,504
2010	370,000	40,637	410,637
2011	380,000	24,980	404,980
2012	400,000	8,500	408,500
<b>Totals</b>	<u>\$ 1,845,000</u>	<u>\$ 199,114</u>	<u>\$ 2,044,114</u>

**SCHEDULE OF INSURANCE IN FORCE  
SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

<u>Type of Coverage</u>	<u>Amount</u>
Auto and General Liability	\$ 2,000,000
Property	\$ 2,500,000
Flood	\$ 2,300,000
Boiler and Machinery	\$ 50,000,000
Workers' Compensation	Statutory
Fidelity Bonds: Public Officials' Liability	\$ 2,000,000

**SCHEDULE OF ELECTRICAL SYSTEM USERS AND RATES  
 SEPTEMBER 30, 2007  
 CITY OF FORT MEADE, FLORIDA**

<u>Customer Class</u>	<u>Approximate Number of Users</u>	<u>Kilowatt Hours Sold</u>	<u>Average Revenue (Per Kwh)</u>
Residential	2,453	27,587,268	.15
Commercial	314	10,771,545	.15
Street Lights	82	413,352	.14
Security Lights	398	273,600	.14

**Source:**

Customer counts were derived from billing records provided by City staff. The number of street light customers represents the aggregate of all street lights in one account, and are paid for by the City.

**SPECIAL REPORT ON COMPLIANCE WITH  
COVENANTS OF BOND ORDINANCE NO. 02-10**

Honorable Mayor and City Commissioners  
City of Fort Meade  
Fort Meade, Florida

We have audited the basic financial statements of the City of Fort Meade, Florida (the City), for the year ended September 30, 2007, and have issued our report thereon which was dated April 30, 2008. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

As part of our audit, nothing came to our attention to suggest that the City was not in compliance with the covenants of Bond Ordinance No. 02-10, approved and adopted by the City Commission on September 17, 2002 (authorizing the issuance of the Utility Revenue Bonds, Series 2005A and 2005B), which also incorporates the covenants from the "Original Ordinance" No. 81-2, approved and adopted by the City Commission on March 24, 1981, (authorizing the issuance of the Utilities Revenue Bonds of 1982), as amended, through the date of our report. It should be noted that the primary purpose of our audit was to form an opinion on the basic financial statements and not to determine whether the City had observed the covenants of the aforementioned bond ordinances.

*Purvis, Gray and Company, LLP*

April 30, 2008  
Sarasota, Florida

**Certified Public Accountants**

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**SPECIAL REPORT ON COMPLIANCE WITH  
COVENANTS OF BOND ORDINANCE NO. 99-1**

Honorable Mayor and City Commissioners  
City of Fort Meade  
Fort Meade, Florida

We have audited the basic financial statements of the City of Fort Meade, Florida (the City), for the year ended September 30, 2007, and have issued our report thereon which was dated April 30, 2008. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

As part of our audit, nothing came to our attention to suggest that the City was not in compliance with the covenants of Bond Ordinance No. 99-1, approved and adopted by the City Commission on February 9, 1999 (authorizing the issuance of the Electrical System Refunding Revenue Bonds, Series 1999), which also incorporates covenants from the "Original Ordinance" No. 91-17. It should be noted that the primary purpose of our audit was to form opinions on the basic financial statements and not to determine whether the City had observed the covenants of the aforementioned bond ordinances.

*Purvis, Gray and Company, LLP*

April 30, 2008  
Sarasota, Florida

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## **GRANT SECTION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

Agency/Program Title	CFDA	Grant No.	Awarded Amount	Grant Period	Required Match	Beginning Receivable	Receipts	Expenditures	Ending (Receivable)
<b><u>Federal Awards</u></b>									
<b>U.S Department of Justice</b>									
Passed Through Florida Department of Law Enforcement:									
Local Law Enforcement Block Grant	16.738	2007-JAGD-POLK-10-P4-065	\$ 1,700	02/01/07-07/31/07			\$ 1,700	\$ 1,700	\$ 0
Byrne Grant	16.738	2007-JAGC-POLK-2-P3-020	7,267	10/01/06-09/30/07			7,267	7,267	0
<b>Total U.S. Department of Justice</b>					<u>\$ 0</u>	<u>\$ 0</u>	<u>8,967</u>	<u>8,967</u>	<u>0</u>
<b>U.S Department of Housing and Urban Development</b>									
Passed Through Polk County:									
Community Development Block Grant	14.218	DRI0603	191,587	03/11/06-09/20/07			171,835	190,928	(19,093)
<b>Total U.S. Department of Housing and Urban Development</b>					<u>0</u>	<u>0</u>	<u>171,835</u>	<u>190,928</u>	<u>(19,093)</u>
<b>Total Federal Awards</b>					<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 180,802</u>	<u>\$ 199,895</u>	<u>\$ (19,093)</u>

**State Financial Assistance**

None



**GOVERNMENTAL AUDITING SECTION**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Commissioners  
City of Fort Meade  
Fort Meade, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Meade, Florida (the City), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting:

- 2007-1 – Lapse in Key Controls
- 2007-2 – Unauthorized Access to Bank Account

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Honorable Mayor and City Commissioners  
City of Fort Meade  
Fort Meade, Florida

**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  
(Concluded)**

**Internal Control Over Financial Reporting (Concluded)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. We believe that the above significant deficiencies are also material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as the following items:

- 2007-3 – Finance Director Termination
- 2007-4 – City Manager Termination
- 2007-5 – Expenditures in Excess of Appropriations

We also noted other matters that we reported to management in a separate management letter dated April 30, 2008.

The City's response to the findings identified in our audit is described in a separate "management response" as shown in the table of contents. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Commission, management, federal and state awarding agencies and pass-through entities, and the Florida Auditor General. It is not intended to be used, and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

April 30, 2008  
Sarasota, Florida

**MANAGEMENT LETTER**

Honorable Mayor and City Commissioners  
City of Fort Meade  
Fort Meade, Florida

We have audited the financial statements of the City of Fort Meade, Florida (the City), as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated April 30, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and on compliance and other matters also dated April 30, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information:

- 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 significant findings and recommendations made in the preceding annual financial audit report. The status of the prior year recommendation (No. 2006-1) is discussed in the schedule of findings and questioned costs.
  - 2006-1 – Line Loss - Electric
- Section 10.554(1)(i)2, *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the City's financial management, accounting procedures, and internal controls. Please see the schedule of findings and questioned costs following this letter for the following recommendations:
  - 2007-6 – Capital Asset Accounting
  - 2007-7 – New Accounting Standards – Other Postemployment Benefits
  - 2007-8 – Review of Key Controls

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners  
City of Fort Meade  
Fort Meade, Florida

**MANAGEMENT LETTER**  
*(Continued)*

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, and defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Please see the schedule of findings and questioned costs following this letter for the following findings:
  - 2007-9 – Traffic Light Billing
  - 2007-10 – County Safe School Funds
  - 2007-11 – Insurance Recoveries – Hurricanes
  - 2007-12 – Contingent Obligation – Corporate Contribution
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The required disclosure for the primary government is made in note 1. There are no component units.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.
- Section 10.554(1)(i)7.c and 10.556(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

Honorable Mayor and City Commissioners  
City of Fort Meade  
Fort Meade, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

This management letter is intended solely for the information and use of the City Commission, management, federal and state awarding agencies and pass-through entities, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

*Purvis, Gray and Company, LLP*

April 30, 2008  
Sarasota, Florida

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA**

**A. Prior Year Recommendations**

**2006-1 Line Loss - Electric**—In the prior year management letter, we recommended that the City of Fort Meade, Florida (the City) review the “line loss” calculation in the electric fund, as it appeared to have increased significantly and was putting additional pressure on the monthly bulk power cost adjustment.

*Status:* The City contracted with its power supplier, the Florida Municipal Power Agency (FMPA), to review this matter, and they have provided a draft report.

*Recommendation:* We encourage the City to pursue and implement the recommendations in the FMPA report, if cost effective.

**B. Internal Controls – Significant Deficiencies**

**2007-1 Lapse in Key Controls**—The City had vacancies and changes in key management positions (including the City Manager, Finance Director, and Utility Billing Supervisor, during portions of 2007). In addition, the City also underwent a software conversion for all accounting applications, including utility billing. During these transition periods, there was a general breakdown in many key controls, including the omission of standard reconciliation procedures (cash, receivables, payables, and interfund accounts). By the time our audit was completed, these reconciliations were performed through September 30, 2007.

*Recommendation:* We encourage the City to perform timely reconciliations on these accounts in the future.

**2007-2 Unauthorized Access to Bank Account**—During 2007, it was discovered that an unauthorized individual obtained access to the City’s bank account and extracted approximately \$5,000. The unauthorized access was not immediately detected due to the lapse in key controls discussed above. There is an ongoing investigation into this matter by local law enforcement. Approximately \$1,000 has been recovered to-date, but the financial institution has advised the City that they do not intend to reimburse the City for the remaining loss due to the length of time that had expired before it was uncovered and reported.

*Recommendation:* We encourage the City to perform timely reconciliations on the bank accounts in the future to detect this type of intrusion as quickly as possible.

**C. Compliance Areas**

**2007-3 Finance Director Termination**—The City’s former finance director was determined to have used the City credit card for personal purchases, and to have authorized herself a \$3,600 severance check that was inconsistent with City policy. The City asked the employee to resign and has settled this issue to their satisfaction.

*Recommendation:* None.

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA  
(Continued)**

**C. Compliance Areas (Concluded)**

**2007-4 City Manager Termination**—At her termination, the former City Manager received a severance check that does not appear to have been calculated in conformity with City policies or her employment contract. The matter was subsequently resolved to the City’s satisfaction.

*Recommendation:* None.

**2007-5 Expenditures in Excess of Appropriations**—Certain departments exceeded their budgets for 2007. Because of the software conversion and the suspension of certain reconciliation procedures (as discussed in item #2007-1 above), department heads were not provided the monthly reports to monitor this. For the same reason, the City was unable to present a year-end budget amendment to obtain Commission authorization for the overage.

*Recommendation:* We recommend that the City implement the encumbrance feature of their new accounting system to provide additional control to overexpenditures in the future, and reinstitute the process of providing monthly expenditure reports to department heads.

**D. Recommendations on Financial Management, Accounting Procedures or Internal Controls**

**2007-6 Capital Asset Accounting**—The City has not affixed inventory tags to all items, nor conducted their annual inventory.

*Recommendation:* We recommend the City complete these procedures to ensure adequate safeguard and recordkeeping for the City’s tangible property.

**2007-7 New Accounting Standards—Other Postemployment Benefits**—The City will be required to implement the new governmental accounting standards Nos. 43 and 45 requiring the accrual and disclosure of certain postemployment benefits, such as employee health care by the year 2010. An actuarial calculation will be required as of September 30, 2009.

*Recommendation:* We recommend the City perform a preliminary review of this standard and develop procedures to ensure timely implementation.

**2007-8 Review of Key Controls**—Under new auditing standards, future external audits of the City will be required to be conducted using the “risk-based” audit approach. Such an approach requires the review of the City’s “key controls” over significant transaction classes. In anticipation of implementing these standards in the upcoming year, we performed a preliminary analysis of this area during the current audit and presented a list of initial observations to the City Manager.

*Recommendation:* We encourage the City to review our initial findings and consider opportunities to strengthen controls in these areas or identify and/or provide compensating controls.



**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
CITY OF FORT MEADE, FLORIDA  
(Concluded)**

**E. Other Findings**

**2007-9 Traffic Light Billing**—Under the City’s Traffic Signal Maintenance and Compensation Agreement, the Florida Department of Transportation (FDOT) reimburses the City for the cost of operation of the City traffic lights on state roads. The City neglected to submit an invoice to FDOT for 2007 in the amount of approximately \$10,000.

*Recommendation:* We would encourage the City to submit the invoice for 2007.

**2007-10 County Safe School Funds**—The City has no record of receiving the final remittance from the Polk County School Board for the Safe Schools Program for the quarter ended September 30, 2007 (the School Board’s first quarter of fiscal 2008). We are assuming the remittance went to the Polk County Sheriff’s Office. The City may want to review which agency is entitled to that payment.

*Recommendation:* We would encourage the City to follow up on this item.

**2007-11 Insurance Recoveries - Hurricanes**—In our audit report two years ago, we noted that the City may have been eligible for additional funding from the Federal Emergency Management Agency (FEMA) for property loss, and possibly additional insurance recoveries. The additional funding was pending completion of the reconstruction efforts, when the ultimate cost of reconstruction had been determined. It is our understanding that the former Finance Director was pursuing this issue, but since she has been terminated, the status is unknown.

*Recommendation:* We encourage the City to follow up on this matter.

**2007-12 Contingent Obligation - Corporate Contribution**—During 2007, the City received a \$5,000 corporate contribution toward the purchase of a police vehicle. The vehicle was not purchased during 2007 and the City law enforcement responsibilities have been transferred to the County Sheriff.

*Recommendation:* We recommend the City determine the appropriate distribution of these funds.



# City of Fort Meade

City Hall

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Fort Meade, Florida 33841-0856

(941) 285-8191 • FAX: (941) 285-9613

To: Joe Welch  
Purvis, Gray and Company

Date: May 20, 2008

From: City of Fort Meade   
James M. Parker, Finance Director

Subject: FY 2007 Audit Findings

---

Joe,

Please see City of Fort Meade responses to FY 2007 Schedule of Findings and Questioned Costs.

## A. Prior Year Recommendations:

**2006-1 Line Loss - Electric** – In the prior year management letter, we recommended that the City review the “line loss” calculation in the electric fund, as it appeared to have increased significantly and was putting additional pressure on the monthly bulk power cost adjustment.

*Status:* The City contracted with its power supplier, the Florida Municipal Power Agency (FMPA), to review this matter, and they have provided a draft report.

*Recommendation:* We would encourage the City to pursue and implement the recommendations in the FMPA report, if cost effective.

*COFM Response:* The City has developed a work plan from the FMPA audit of our electric infrastructure and billing rates schedule. The billing software has been updated to correct some minor discrepancies. Our Electric Department is currently pursuing the action items identified as most cost effective. The City Manager is developing a long range plan for other items that will improve the efficiency of the electric system and ideally reduce line loss.

## B. Internal Controls:

**2007-1 Lapse in Key Controls** – The City had vacancies and changes in key management positions (including the City Manager, Finance Director, and Utility Billing Supervisor, during portions of 2007). In addition, the City also underwent a software conversion for all accounting applications, including utility billing. During these transition periods, there was a general breakdown in many key controls, including the omission of standard reconciliation procedures (cash, receivables, payables, and interfund accounts). By the time our audit was completed, these reconciliations were performed through September 30, 2007.

*Recommendation:* We would encourage the City to perform timely reconciliations on these accounts in the future.

*COFM Response:* Reconciliations between key functions are being performed. The city is working with our new software vendor and in house subject matter experts to refine the reconciliation processes between key functions.

**2007-2 Unauthorized Access to Bank Account** – During 2007, it was discovered that an unauthorized individual obtained access to the City’s bank account and extracted approximately \$5,000. The unauthorized access was not immediately detected due to the lapse in key controls discussed above. There is an ongoing investigation into this matter by local law enforcement. Approximately \$1,000 has been recovered to date, but the financial institution has advised the City that they do not intend to reimburse the City for the remaining loss due to the length of time that had expired before it was uncovered and reported.

*Recommendation:* We would encourage the City to perform timely reconciliations on the bank accounts in the future to detect this type of intrusion as quickly as possible.

*COFM Response:* Bank statements reconciliation is now current and performed in a timely manner.

**C. Compliance Areas:**

**2007-3 Finance Director Termination** – The City’s former finance director was determined to have used the City credit card for personal purchases, and to have authorized herself a \$3,600 severance check that was inconsistent with City policy. The City asked the employee to resign and has settled this issue to their satisfaction.

*Recommendation:* None.

*COFM Response:* None.

**C. Compliance Areas (Concluded):**

**2007-4 City Manager Termination** – At her termination, the former City Manager received a severance check that does not appear to have been calculated in conformity with City policies or her employment contract. The matter was subsequently resolved to the City’s satisfaction.

*Recommendation:* None.

*COFM Response:* None.

**2007-5 Expenditures in Excess of Appropriations** – Certain departments exceeded their budgets for 2007. Because of the software conversion and the suspension of certain reconciliation procedures (as discussed in item #2007-1 above), departments heads were not provided the monthly reports to monitor this. For the same reason, the City was unable to present a year-end budget amendment to obtain Commission authorization for the overage.

*Recommendation:* We recommend that the City implement the encumbrance feature of their new accounting system to provide additional control to over expenditures in the future, and re-institute the process of providing monthly expenditure reports to department heads.

*COFM Response:* Department heads are now receiving monthly budget updates. The City is working with the software vendor – American Data Group to ensure this feature is properly implemented.

**D. Recommendations on Financial Management, Accounting Procedures or Internal Controls:**

**2007-6 Capital Asset Accounting** – The City has not affixed inventory tags to all items, nor conducted their annual inventory.

*Recommendation:* We recommend the City complete these procedures to ensure adequate safeguard and recordkeeping for the City’s tangible property.

*COFM Response:* The inventory process is under review by the City. A full inventory will be conducted and processes put into place to ensure an accurate accounting of the City's property.

**2007-7 New Accounting Standards – Other Post-Employment Benefits** - The City will be required to implement the new governmental accounting standards #43 and #45 requiring the accrual and disclosure of certain post-employment benefits, such as employee health care by the year 2010. An actuarial calculation will be required as of September 30, 2009.

*Recommendation:* We recommend the City perform a preliminary review of this standard and develop procedures to ensure timely implementation.

*COFM Response:* The city will ensure compliance with the new accounting standards in a timely manner.

**2007-8 Review of Key Controls** – Under new auditing standards, future external audits of the City will be required to be conducted using the “risk-based” audit approach. Such an approach requires the review of the City's “key controls” over significant transaction classes. In anticipation of implementing these standards in the upcoming year, we performed a preliminary analysis of this area during the current audit and presented a list of initial observations to the City Manager.

*Recommendation:* We would encourage the City to review our initial findings and consider opportunities to strengthen controls in these areas or identify and/or provide compensating controls.

*COFM Response:* The key controls action items list is currently under review. An action item list will be developed to ensure risks to the City are minimized.

#### **E. Other Findings:**

**2007-9 Traffic Light Billing** – Under the City's Traffic Signal Maintenance and Compensation Agreement, the Florida Department of Transportation (FDOT) reimburses the City for the cost of operation of the City traffic lights on state roads. The City neglected to submit an invoice to FDOT for 2007 in the amount of approximately \$10,000.

*Recommendation:* We would encourage the City to submit the invoice for 2007.

*COFM Response:* The City sent the DOT an invoice for \$10,916.41 on December 20, 2007. The full amount was paid via ACH transfer to central investment bank on May 7, 2008.

**2007-10 County Safe School Funds** – The City has no record of receiving the final remittance from the Polk County School Board for the Safe Schools Program for the quarter ended September 30, 2007 (the School Board's first quarter of fiscal 2008). We are assuming the remittance went to the Polk County Sheriff's Office. The City may want to review which agency is entitled to that payment.

*Recommendation:* We would encourage the City to follow up on this item.

*COFM Response:* The School Board of Polk County issued a check in the amount of \$14,142.38 on January 4, 2008. It was deposited into our central investment account on January 15, 2008. The city Manager did verify with the School Board that this check was for the Safe Schools Program for the first quarter of FY2008.

**2007-11 Insurance Recoveries - Hurricanes** – In our audit report two years ago, we noted that the City may have been eligible for additional funding from the Federal Emergency Management Agency (FEMA) for property loss, and possibly additional insurance recoveries. The additional funding was pending completion of the reconstruction efforts, when the ultimate cost of reconstruction had been determined. It is our understanding that the former finance director was pursuing this issue, but since she has been terminated, the status is unknown.

*Recommendation:* We would encourage the City to follow up on this matter.

*COFM Response:* The City is currently working with Richard Inglis from FEMA to ensure all open items with FEMA are resolved as quickly as possible.

**2007-12 Contingent Obligation - Corporate Contribution** – During 2007, the City received a \$5,000 corporate contribution toward the purchase of a police vehicle. The vehicle was not purchased during 2007 and the City law enforcement responsibilities have been transferred to the County Sheriff.

*Recommendation:* We recommend the City determine the appropriate distribution of these funds.

*COFM Response:* the donor of this money – Mosaic has been contacted concerning the \$5000.00 and has chosen to reallocate the donation to The Fort Meade Garden Club.