

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS
CITY OF FORT MEADE, FLORIDA**

September 30, 2009

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

SEPTEMBER 30, 2009

CITY COMMISSION

Mayor, Commissioner

Robert Elliott

Vice-Mayor, Commissioner

Maurice Nelson

Commissioner

Rick Cochrane

Commissioner

James Watts

Commissioner

Melony Bell

APPOINTED OFFICIALS

City Manager

Fred Hilliard

City Attorney

Gray Robinson

CITY OF FORT MEADE, FLORIDA

SEPTEMBER 30, 2009

TABLE OF CONTENTS

Management’s Discussion and Analysis M1

Independent Auditors’ Report 1-2

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets 3
Statement of Activities 4

Fund Financial Statements:

Balance Sheet - Governmental Funds 5
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets 6
Statement of Revenues, Expenditures, and Changes in Fund
Balances - Governmental Funds 7
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities 8
Statement of Net Assets - Proprietary Funds 9
Statement of Revenues, Expenses, and Changes in Net Assets -
Proprietary Funds 10
Statement of Cash Flows - Proprietary Funds 11
Statement of Plan Net Assets - Pension Trust Funds 12
Statement of Changes in Plan Net Assets - Pension Trust Funds 13
Notes to Financial Statements 14-43

Required Supplementary Information

Budgetary Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund 44
Note to Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual 45

Pension Plan Schedules:

Schedules of Funding Progress - Pension Trust Funds 46

CITY OF FORT MEADE, FLORIDA

SEPTEMBER 30, 2009

TABLE OF CONTENTS

Combining Financial Statements

Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances - Nonmajor Governmental Funds 47
Combining Statement of Net Assets - Nonmajor Enterprise Funds 48
Combining Statement of Revenues, Expenses, and Changes in Net Assets -
Nonmajor Enterprise Funds 49
Combining Statement of Cash Flows - Nonmajor Enterprise Funds 50
Combining Statement of Plan Net Assets - Pension Trust Funds 51
Combining Statement of Changes in Plan Net Assets - Pension Trust Funds 52

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 *Governmental Auditing Standards* 53-54
Management letter 55-57
Summary Schedule of Prior Year Findings 58
Schedule of Current Year Findings 59

Management's Response

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
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, 2009. We encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 3.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$16,768,906 (net assets). Of this amount, \$3,709,666 (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 \$342,924 during 2009. Net assets of governmental activities increased by \$55,102 while net assets of business-type activities increased by \$287,822 primarily due to a capital grant.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,538,593, an increase of \$245,045 for the year of which \$227,307 represents the close-out of the internal service fund. Of this total amount, \$1,139,299 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, 2009
CITY OF FORT MEADE, FLORIDA
(Continued)

Government-Wide Financial Statements (cont...)

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. The business-type activities of the City include electric, water and sewer, stormwater, natural gas, a mobile home park, and solid waste.

The City's government-wide financial statements can be found on pages 3 and 4 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA
(Continued)

Governmental Funds (cont...)

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, the 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.

The City's governmental fund financial statements are presented on pages 5 - 8.

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 an internal service fund to account for fleet maintenance and central warehouse. The activities of the internal service fund have been included within governmental activities in the government-wide financial statements. The internal service fund was closed into the general fund as of September 30, 2009, and its activities will be reported in the general fund going forward. The close-out increased the fund balance of the general fund by \$227,307.

The proprietary fund financial statements can be found on pages 9 -11 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA
(Continued)

Fiduciary Funds

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 fund financial statements consist of a statement of plan net assets and a statement of changes in plan net assets. 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 12-13 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-43 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. Required supplementary information can be found on pages 44-46 of this report.

Combining statements of the nonmajor governmental and enterprise funds and the three pension trust funds are presented immediately following the required supplementary information on pages 47-52. Additional information and reports follow the combining statements to illustrate compliance with *Government Auditing Standards* and the Federal and Florida Single Audit Acts (when applicable).

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA
(Continued)

The following schedule is a summary of the Statement of Net Assets found on page 3 of this report:

Statement of Net Assets (Summary)
as of September 30,

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$1,769,873	\$1,622,581	\$4,753,180	\$4,893,350	\$6,523,053	\$6,515,931
Capital assets	5,502,039	5,626,639	13,371,341	13,442,346	18,873,380	19,068,985
Total assets	7,271,912	7,249,220	18,124,521	18,335,696	25,396,433	25,584,916
Current and other liabilities	237,729	119,102	1,109,736	1,029,632	1,347,465	1,148,734
Long-term liabilities	609,166	760,203	6,670,896	7,249,997	7,280,062	8,010,200
Total liabilities	846,895	879,305	7,780,632	8,279,629	8,627,527	9,158,934
Net assets:						
Invested in capital assets, net of related debt	5,014,908	4,980,820	6,951,588	6,454,806	11,966,496	11,435,626
Restricted	26,492	26,492	1,066,252	1,073,605	1,092,744	1,100,097
Unrestricted	1,383,617	1,362,603	2,326,049	2,527,656	3,709,666	3,890,259
Total net assets	\$6,425,017	\$6,369,915	\$10,343,889	\$10,056,067	\$16,768,906	\$16,425,982

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded its liabilities by \$16,768,906 at the close of the fiscal year, an increase of \$342,924 over the prior year primarily due to a capital grant for the sewer system.

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 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.

A small portion of the City's net assets (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,709,666, may be used to meet the government's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA
(Continued)

The following is a summary of the information presented in the Statement of Activities found on page 4 of this report:

Statement of Activities (Summary)
For the year ended September 30,

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program Revenues:						
Charges for services	\$211,237	\$235,483	\$9,244,477	\$7,924,210	\$9,455,714	\$8,159,693
Operating grants and contributions	150,339	157,592			150,339	157,592
Capital grants and contributions	23,958	13,717	511,453	29,228	535,411	42,945
General revenues:						
Property taxes	379,288	377,384			379,288	377,384
Other taxes	1,304,650	1,119,230			1,304,650	1,119,230
Other	589,034	657,034	94,365	121,624	683,399	778,658
Total revenues	2,658,506	2,560,440	9,850,295	8,075,062	12,508,801	10,635,502
Expenses:						
Governmental Activities:						
General government	584,419	648,594			584,419	648,594
Law enforcement	1,075,054	1,198,081			1,075,054	1,198,081
Fire	261,135	241,216			261,135	241,216
Building inspections	142,766	109,365			142,766	109,365
Hurricanes						
Road and streets	496,645	525,000			496,645	525,000
Economic environment	17,239	16,770			17,239	16,770
Library	181,598	191,938			181,598	191,938
Recreation	162,763	192,707			162,763	192,707
Parks	475,707	537,726			475,707	537,726
Interest on long-term debt	31,578	30,454			31,578	30,454
Business-type Activities:						
Electric			6,221,116	4,856,157	6,221,116	4,856,157
Water and sewer			1,383,983	1,231,534	1,383,983	1,231,534
Stormwater			86,692	92,456	86,692	92,456
Natural gas			357,304	349,509	357,304	349,509
Mobile home park			185,924	201,563	185,924	201,563
Solid waste			501,954	366,553	501,954	366,553
Total expenses	3,428,904	3,691,851	8,736,973	7,097,772	12,165,877	10,789,623
Increase (decrease) in net assets before transfers	(770,398)	(1,131,411)	1,113,322	977,290	342,924	(154,121)
Transfers	825,500	825,500	(825,500)	(825,500)		
Increase (decrease) in net assets	55,102	(305,911)	287,822	151,790	342,924	(154,121)
Net assets - October 1	6,369,915	6,675,826	10,056,067	9,904,277	16,425,982	16,580,103
Net assets - September 30	\$6,425,017	\$6,369,915	\$10,343,889	\$10,056,067	\$16,768,906	\$16,425,982

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA
(Continued)

Governmental Activities

Governmental activities increased the City's net assets by \$55,102 (after transfers), as compared to a decrease of \$305,911 for the prior year. The current year improvement is primarily due to an overall decrease in expenditures in the current year.

Business-type Activities

Business-type activities increased the City's net assets by \$287,822 (after transfers), as compared to \$151,790 for the previous year. The key factor for the improvement is the capital grant which financed sewer improvements which were capitalized.

Financial Analysis of the City's Funds

The City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The fund financial statements for the governmental funds are provided on pages 5 - 8. 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. As of September 30, 2009, the nonmajor governmental funds and the internal service fund were combined with the general fund and eliminated going forward which made the general fund the only governmental fund as of year end.

At the end of the fiscal year, the City's governmental fund (the general fund) reported combined ending fund balance of \$1,538,593, of which \$1,139,299 constitutes *unreserved fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. The remainder of the fund balance totaling \$399,294 is reserved to indicate that it is not available for new spending because it has already been committed. This compares to \$1,233,598 and \$59,950 respectively, for the prior year.

In terms of the general fund's liquidity, unreserved fund balance represents 33% of the total general fund expenditures at the end of the current year as compared to 31% for the previous year.

Total governmental revenues were flat over the prior year and expenditures were down 8% over the previous year and net transfers were the same as the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA
(Continued)

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 44 of this report in the required supplementary information section.

The general fund budget (both original and final) anticipated revenues to equal appropriations. Actual revenues came in \$80,039 less than budgeted and expenditures came in \$128,075 under budget. The variance by line item is shown on page 44.

The difference between the original budget and the final amended budget was primarily related to minor increases in revenue and expenses.

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 9 - 11 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, 2009, amounts to \$18,873,380 (net of accumulated depreciation) which is a decrease of \$195,605 after depreciation of \$878,506. This investment in capital assets includes land, construction in progress, buildings, improvements, infrastructure, utility systems, and equipment. The City's investment in capital assets of its governmental activities decreased during the fiscal year by \$124,600 after depreciation of \$335,087. The City's investment in capital assets of its business type activities decreased during the current fiscal year by \$71,005 after depreciation of \$558,387. Major additions during the year included sewer system improvements of \$490,363.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA
(Continued)

Following is a summary of capital assets:

Capital Assets (Summary)
(net of depreciation)
as of September 30,

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$846,198	\$846,198	\$345,838	\$345,838	\$1,192,036	\$1,192,036
Construction in progress			\$516,092	\$1,338,266	\$516,092	\$1,338,266
Buildings and improvements	2,101,219	2,065,053	18,917,481	17,539,439	21,018,700	19,604,492
Vehicles and equipment	1,707,367	1,686,907	1,219,122	1,704,828	2,926,489	3,391,735
Road network	9,015,162	8,882,871			9,015,162	8,882,871
Less: Accumulated depreciation	(8,167,907)	(7,854,390)	(7,627,192)	(7,486,025)	(15,795,099)	(15,340,415)
Net	\$5,502,039	\$5,626,639	\$13,371,341	\$13,442,346	\$18,873,380	\$19,068,985

Additional information on the City's capital assets can be found in Note 5 beginning on page 26 of this report.

Long-term Debt

At the end of the year, the City had total long-term debt outstanding of \$7,219,101 (excluding accrued compensated absences and deferred losses on refunding) a decrease of \$750,425 over the previous year primarily with respect to the business-type activities whereby the \$1,250,000 water system interim construction loan was paid off with a \$1,209,309 permanent loan and regular principal payments of approximately \$700,000. 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 long-term debt outstanding:

Revenue Notes and Notes Payable (Summary)
as of September 30

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue notes	\$235,000	\$340,000	\$6,660,723	\$7,237,059	\$6,895,723	\$7,577,059
Notes and leases payable	267,863	305,819	55,515	86,648	323,378	392,467
Total	\$502,863	\$645,819	\$6,716,238	\$7,323,707	\$7,219,101	\$7,969,526

Additional information on the City's long-term debt can be found on pages 28-31 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA
(Concluded)

Economic Factors and Next Year's Budget and Rates

The economic challenges faced by the City of Fort Meade are directly related to those facing our nation, state and region. The City is somewhat unique in the fact that the residential and commercial base of the community is stable with minimal growth. However, the minimal growth and lack of real estate transfers has decreased our ad valorem tax revenue. This has made it necessary for the City to transfer funds from the utility systems to support General Fund obligations while deferring maintenance and extensions to the systems to encourage new growth in the community. If the City is to reverse the draining of resources from the utility systems we will need to capture new sources of revenue to fund the General Fund obligations. One of the ways to reduce the utility systems transfer to the General Fund is a service fee. Service fees will only work if the citizens see improvements in the utility systems and quality services from the departments utilizing service fees.

The budget goals for Fiscal Year 2010 are as follows:

- The current millage rate will be reviewed to identify areas in the General Fund that may be funded by a service fee to reduce the utility systems transfer to the General Fund.
- Utility systems metering upgrade: The City, like most small communities, has failed to modernize their utility meters. The City will review a program to modernize the utility system's metering system using electronic metering equipment to increase efficiency and revenues to the operations.
- Water system improvements: City staff will be working replacing old two inch water lines with a minimum of six inch to upgrade service connections and improve fire protection to the residents.
- Sewer system maintenance: The inflow infiltration of storm water into the City's sewer system during heavy summer rains has proven to be a major problem pushing raw waste water into homes. Staff will be monitoring the flow of the system's pump stations to identify drainage basins with inflow infiltration problems and identifying what measures need to be implemented to eliminate or reduce the problem cost effectively.
- Electrical rate reduction: a portion of the monies freed up with the adoption of service fees will be allocated to reduce the community's electrical rates and the electrical system losses.

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.

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, 2009, 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, 2009, and the respective changes in financial position, and cash flows where applicable, 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 February 26, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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.

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
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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)

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.

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements 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

February 26, 2010
Sarasota, Florida

FINANCIAL STATEMENTS

CITY OF FORT MEADE, FLORIDA
STATEMENT OF NET ASSETS
As of September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 1,326,939	\$ 1,659,348	\$ 2,986,287
Receivables, current:			
Customer accounts, net	45,534	1,206,544	1,252,078
Intergovernmental	113,081	3,065	116,146
Franchise and service taxes	16,000		16,000
Inventories	347,887		347,887
Investments		89,259	89,259
Prepaid expenses		1,400	1,400
Inter fund balances, net	(106,092)	106,092	
Restricted assets:			
Equity in pooled cash and cash equivalents	26,524	1,547,757	1,574,281
Investments		31,638	31,638
Capital assets:			
Non-depreciable	846,198	861,930	1,708,128
Depreciable, net	4,655,841	12,509,411	17,165,252
Unamortized bond issue costs		108,077	108,077
TOTAL ASSETS	7,271,912	18,124,521	25,396,433
LIABILITIES			
Accounts payable	166,389	674,044	840,433
Accrued wages	47,345	25,961	73,306
Unearned revenue		17,825	17,825
Accrued interest payable	6,448	44,277	50,725
Due to other governments	17,547		17,547
Customer deposits		347,629	347,629
Long-term obligations:			
Due within one year	188,562	578,824	767,386
Due in more than one year	420,604	6,092,072	6,512,676
TOTAL LIABILITIES	846,895	7,780,632	8,627,527
NET ASSETS			
Invested in capital assets, net of related debt	5,014,908	6,951,588	11,966,496
Restricted for:			
Law enforcement purposes	26,492		26,492
Debt service		872,278	872,278
Water and sewer systems improvements		193,974	193,974
Unrestricted	1,383,617	2,326,049	3,709,666
TOTAL NET ASSETS	\$ 6,425,017	\$ 10,343,889	\$ 16,768,906

CITY OF FORT MEADE, FLORIDA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2009

FUNCTIONS/PROGRAMS:	Direct Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 584,419	\$	\$ 105,858	\$	\$	\$ (478,561)	\$	\$ (478,561)
Law enforcement	1,075,054		21,030		4,806	(1,049,218)		(1,049,218)
Fire control	261,135			89,195		(171,940)		(171,940)
Building inspections	142,766		67,384			(75,382)		(75,382)
Roads and streets	496,645			15,744		(480,901)		(480,901)
Economic environment	17,239					(17,239)		(17,239)
Library	181,598		4,898	45,400		(131,300)		(131,300)
Recreation	162,763		8,943			(153,820)		(153,820)
Parks	475,707		3,124		19,152	(453,431)		(453,431)
Interest on long-term debt	31,578					(31,578)		(31,578)
Total governmental activities	3,428,904		211,237	150,339	23,958	(3,043,370)		(3,043,370)
Business-type activities:								
Electric	6,221,116		6,789,537		25,638		594,059	594,059
Water and sewer	1,383,983		1,147,843		485,815		249,675	249,675
Stormwater	86,692		125,164				38,472	38,472
Natural gas	357,304		412,511				55,207	55,207
Mobile home park	185,924		343,253				157,329	157,329
Solid waste	501,954		426,169				(75,785)	(75,785)
Total business-type activities	8,736,973		9,244,477		511,453		1,018,957	1,018,957
TOTAL PRIMARY GOVERNMENT	\$ 12,165,877	\$	\$ 9,455,714	\$ 150,339	\$ 535,411	(3,043,370)	1,018,957	(2,024,413)
GENERAL REVENUES:								
Taxes:								
Property taxes levied for general purposes						379,288		379,288
Public service taxes and franchise fees						968,989		968,989
Fuel taxes levied for transportation purposes						335,661		335,661
State shared revenue						568,437		568,437
Investment earnings						4,941	18,476	23,417
Miscellaneous						15,656	75,889	91,545
Transfers						825,500	(825,500)	
Total general revenues, special items, and transfers						3,098,472	(731,135)	2,367,337
Change in net assets						55,102	287,822	342,924
NET ASSETS - beginning of year						6,369,915	10,056,067	16,425,982
NET ASSETS - end of year						\$ 6,425,017	\$ 10,343,889	\$ 16,768,906

CITY OF FORT MEADE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
As of September 30, 2009

	<u>General Fund</u>
ASSETS	
Equity in pooled cash and cash equivalents	\$ 1,326,939
Receivables, net	
Customer accounts, net	45,534
Intergovernmental	89,207
Franchise and public service taxes	16,000
Inventory	347,887
Due from other funds	33,375
Restricted assets:	
Cash and cash equivalents	<u>26,524</u>
TOTAL ASSETS	<u><u>\$ 1,885,466</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 164,857
Accrued payroll	48,879
Due to other funds	115,592
Due to other governments	<u>17,545</u>
TOTAL LIABILITIES	<u>346,873</u>
Fund balance:	
Reserved for:	
Receivable from pension plan	23,875
Petty cash	1,040
Law enforcement trust fund	26,492
Inventory	347,887
Unreserved:	
Undesignated	<u>1,139,299</u>
TOTAL FUND BALANCE	<u>1,538,593</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,885,466</u></u>

CITY OF FORT MEADE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
As of September 30, 2009

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,538,593

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. 5,502,039

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

This is the net amount of the long-term obligations (609,166)

This is the amount of accrued interest payable (6,449)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 6,425,017

CITY OF FORT MEADE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the year ended September 30, 2009

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
REVENUES:			
Taxes	\$ 1,683,939	\$	\$ 1,683,939
Licenses and permits	77,043		77,043
Intergovernmental revenue	740,448	4,806	745,254
Charges for services	16,967		16,967
Fines and forfeitures	97,409		97,409
Interfund service charges	170,000		170,000
Other	37,825	73	37,898
Total revenues	<u>2,823,631</u>	<u>4,879</u>	<u>2,828,510</u>
EXPENDITURES:			
General government	756,587		756,587
Public safety	1,423,377	4,804	1,428,181
Economic environment	17,239		17,239
Transportation	442,307		442,307
Culture/recreation	816,219		816,219
Debt service		193,561	193,561
Total expenditures	<u>3,455,729</u>	<u>198,365</u>	<u>3,654,094</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(632,098)</u>	<u>(193,486)</u>	<u>(825,584)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from debt	17,822		17,822
Transfers in	825,500	193,718	1,019,218
Transfers (out)	(193,718)		(193,718)
Total other financing sources	<u>649,604</u>	<u>193,718</u>	<u>843,322</u>
NET CHANGE IN FUND BALANCE	17,506	232	17,738
FUND BALANCE, beginning of year	1,176,693	116,855	1,293,548
Close non-major governmental funds to general fund	117,087	(117,087)	
Close internal service proprietary fund to general fund	227,307		227,307
FUND BALANCE, end of year	<u>\$ 1,538,593</u>	<u>\$</u>	<u>\$ 1,538,593</u>

CITY OF FORT MEADE, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 17,738

**Amounts reported for governmental activities in the Statement of Activities are
different because:**

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

This is the amount of capital assets recorded in the current period	208,237
This is the amount of depreciation recorded in the current period	(331,318)
This is the book value of dispositions recorded in the current period	

This amount represents the net revenue of the internal service fund	8,899
---	-------

Long-term obligations are reported in the government-wide statement of activities and changes in net assets as liabilities, but not at the fund level as they do not require the use of current financial resources and therefore are reported as revenues when received and expenditures when paid:

This amount represents loan proceeds	(17,822)
This amount represents long-term debt repayments	160,779
This amount represents the change in accrued interest payable	1,198
This amount represents the change in compensated absence liability	7,391

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 55,102</u>
--	------------------

CITY OF FORT MEADE, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
As of September, 2009

	Business Type Activities - Enterprise Funds				
	Electric Fund	Water & Sewer Fund	Stormwater Utility	Non-Major Funds	Total
ASSETS					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,181,724	\$ 96,496	\$ 221,503	\$ 159,625	\$ 1,659,348
Receivables, net					
Customers	909,623	143,268	19,662	133,991	1,206,544
Other	3,065				3,065
Investments	86,756			2,503	89,259
Due from other funds	80,037	4,612		30,943	115,592
Prepaid and other	1,233	91		76	1,400
Total current assets	<u>2,262,438</u>	<u>244,467</u>	<u>241,165</u>	<u>327,138</u>	<u>3,075,208</u>
Noncurrent assets:					
Restricted assets:					
Equity in pooled cash and cash equivalents	883,409	406,097	201,035	57,216	1,547,757
Investments	18,235	8,703		4,700	31,638
Capital assets, net					
Non-depreciable		851,066		10,864	861,930
Depreciable	3,630,901	7,750,939	661,885	465,686	12,509,411
Unamortized bond issue costs	38,930	58,974	5,564	4,609	108,077
Total noncurrent assets	<u>4,571,475</u>	<u>9,075,779</u>	<u>868,484</u>	<u>543,075</u>	<u>15,058,813</u>
TOTAL ASSETS	<u>6,833,913</u>	<u>9,320,246</u>	<u>1,109,649</u>	<u>870,213</u>	<u>18,134,021</u>
LIABILITIES					
Current liabilities:					
Accounts payable	594,989	61,410	992	16,653	674,044
Accrued wages	11,864	10,401		3,696	25,961
Unearned revenues				17,825	17,825
Due to other funds				9,500	9,500
Compensated absences, current portion	1,497	654		1,060	3,211
Bonds and notes payable, current portion	387,750	67,863	90,000	30,000	575,613
Total current liabilities	<u>996,100</u>	<u>140,328</u>	<u>90,992</u>	<u>78,734</u>	<u>1,306,154</u>
Noncurrent liabilities:					
Compensated absences, noncurrent portion	13,471	8,103		9,542	31,116
Payable from restricted assets:					
Accrued interest payable	12,079	17,178	9,797	5,223	44,277
Customer deposits	211,104	92,332		44,193	347,629
Bonds and notes payable, noncurrent portion	738,095	4,717,861	410,000	195,000	6,060,956
Total noncurrent liabilities	<u>974,749</u>	<u>4,835,474</u>	<u>419,797</u>	<u>253,958</u>	<u>6,483,978</u>
TOTAL LIABILITIES	<u>1,970,849</u>	<u>4,975,802</u>	<u>510,789</u>	<u>332,692</u>	<u>7,790,132</u>
NET ASSETS					
Invested in capital assets, net of related debt	2,543,986	3,875,255	276,188	256,159	6,951,588
Restricted for:					
Utility system improvements (expendable)		193,974			193,974
Debt service	678,462	111,316	82,500		872,278
Unrestricted	1,640,616	163,899	240,172	281,362	2,326,049
TOTAL NET ASSETS	<u>\$ 4,863,064</u>	<u>\$ 4,344,444</u>	<u>\$ 598,860</u>	<u>\$ 537,521</u>	<u>\$ 10,343,889</u>

CITY OF FORT MEADE, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the year ended September 30, 2009

	Business Type Activities - Enterprise Funds				Total	Governmental
	Electric Fund	Water & Sewer Fund	Stormwater Utility	Non-Major Funds		Internal Service Fund
OPERATING REVENUES:						
Charges for services	\$ 6,789,537	\$ 1,147,843	\$ 125,164	\$ 1,181,933	\$ 9,244,477	\$ 307,302
Total operating income	6,789,537	1,147,843	125,164	1,181,933	9,244,477	307,302
OPERATING EXPENSES:						
Personal services	346,658	255,634		106,659	708,951	201,267
Purchases for resale	5,068,391			187,554	5,255,945	
Operating expenses	508,861	648,087	15,017	616,636	1,788,601	93,367
Depreciation	199,180	271,745	45,703	26,791	543,419	3,769
Total operating expenses	6,123,090	1,175,466	60,720	937,640	8,296,916	298,403
OPERATING INCOME	666,447	(27,623)	64,444	244,293	947,561	8,899
NONOPERATING REVENUE (EXPENSE):						
Interest revenue	15,452	1,790	505	729	18,476	
Interest and other debt service costs	(98,026)	(208,517)	(25,972)	(14,311)	(346,826)	
Loss on disposal of capital asset				(93,231)	(93,231)	
Other, net	54,924	12,133		8,832	75,889	
Total nonoperating revenues (expenses)	(27,650)	(194,594)	(25,467)	(97,981)	(345,692)	
Income (loss) before contributions and transfers	638,797	(222,217)	38,977	146,312	601,869	8,899
CAPITAL CONTRIBUTIONS						
Capital grants and contributions	25,638	485,815			511,453	
TRANSFERS IN (OUT)	(550,000)	(82,470)		(193,030)	(825,500)	
Change in net assets	114,435	181,128	38,977	(46,718)	287,822	8,899
Close internal service fund to general fund						(219,985)
TOTAL NET ASSETS - beginning of year	4,748,629	4,163,316	559,883	584,239	10,056,067	211,086
TOTAL NET ASSETS - end of year	\$ 4,863,064	\$ 4,344,444	\$ 598,860	\$ 537,521	\$ 10,343,889	\$

CITY OF FORT MEADE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended September 30, 2009

	Business Type Activities - Enterprise Funds				Enterprise Total	Governmental
	Electric Fund	Water & Sewer Fund	Stormwater Utility	Non-Major Funds		Internal Services
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 6,558,008	\$ 1,162,204	\$ 124,755	\$ 1,137,386	\$ 8,982,353	\$ 307,302
Payments to suppliers	(5,317,459)	(613,795)	(14,814)	(833,007)	(6,779,075)	(57,111)
Payments for salaries and benefits	(366,055)	(254,610)		(105,331)	(725,996)	(202,589)
Net cash flows from operating activities	874,494	293,799	109,941	199,048	1,477,282	47,602
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Increase (decrease) in customer deposits	(30,103)	3,956		(6,438)	(32,585)	
Increase (decrease) in due to other funds				9,500	9,500	
Transfer internal service fund cash to general fund						10,634
Transfers (to) from other funds	(550,000)	(82,470)		(193,030)	(825,500)	
Net cash flows from noncapital financing activities	(580,103)	(78,514)		(189,968)	(848,585)	10,634
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets, net of related payables	(81,238)	(625,236)		(1,140)	(707,614)	(2,250)
Principal paid on notes, bonds and lease obligations	(371,858)	(1,315,644)	(99,276)	(30,000)	(1,816,778)	
Proceeds from notes, bonds and lease obligations		1,209,309			1,209,309	
Interest paid on borrowings	(66,040)	(220,074)	(25,924)	(14,086)	(326,124)	
Capital contributions and impact fees received, net of receivables	25,638	485,815			511,453	
Net cash flows from capital and related financing activities	(493,498)	(465,830)	(125,200)	(45,226)	(1,129,754)	(2,250)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Other investing income / (loss)	54,924	12,133		8,832	75,889	
Proceeds from (purchases of) investments	40	22		15	77	
Interest on invested funds	15,452	1,790	505	729	18,476	
Net cash flows from investing activities	70,416	13,945	505	9,576	94,442	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(128,691)	(236,600)	(14,754)	(26,570)	(406,615)	55,986
CASH AND CASH EQUIVALENTS, beginning of year	2,193,824	739,193	437,292	243,411	3,613,720	(55,986)
CASH AND CASH EQUIVALENTS, end of year	\$ 2,065,133	\$ 502,593	\$ 422,538	\$ 216,841	\$ 3,207,105	\$
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income / (loss)	\$ 666,447	\$ (27,623)	\$ 64,444	\$ 244,293	\$ 947,561	\$ 8,899
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	199,180	271,745	45,703	26,791	543,419	3,769
(Increase) decrease in inventory	188				188	30,507
(Increase) decrease in accounts receivable	(234,594)	14,361	(409)	(44,547)	(265,189)	
Increase (decrease) in accounts payable	259,605	34,292	203	(1,467)	292,633	5,749
Increase (decrease) in accrued wages	(21,810)	(1,081)		(1,606)	(24,497)	(633)
Increase (decrease) in compensated absences	2,413	2,105		2,934	7,452	(689)
Increase (decrease) in deferred revenue and other	3,065			(27,350)	(24,285)	
Net cash flows from operating activities	\$ 874,494	\$ 293,799	\$ 109,941	\$ 199,048	\$ 1,477,282	\$ 47,602
Noncash financing and investing activities -						
Loss on retirement of capital asset (incinerator)				\$ 93,231	\$ 93,231	
Transfer of fund assets and liabilities to general fund						\$ 219,985

CITY OF FORT MEADE, FLORIDA
STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUND
As of September 30, 2009

	Pension Trust Funds
ASSETS	
Receivables:	
City	\$ 18,901
Accrued interest and dividends	15,072
Total receivables	<u>33,973</u>
Investments, at fair market value:	
Short-term money market funds	637,087
Fixed income securities	1,248,405
Equity securities	<u>2,638,393</u>
Total investments	<u>4,523,885</u>
Total assets	<u>4,557,858</u>
LIABILITIES	
Due to other funds	<u>23,875</u>
Total liabilities	<u>23,875</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 4,533,983</u>

CITY OF FORT MEADE, FLORIDA
STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUNDS
For the year ended September 30, 2009

	Pension Trust Funds
ADDITIONS	
Contributions:	
City	\$ 155,380
Total contributions	<u>155,380</u>
Investment income (loss)	<u>(106,592)</u>
Less investment expenses:	
Investment fees	<u>21,033</u>
Total investment expenses	<u>21,033</u>
Net investment income (loss)	<u>(127,625)</u>
Total additions	<u>27,755</u>
DEDUCTIONS	
Administrative expenses:	
Actuarial	15,270
Legal	10,734
Custodial fees	<u>11,999</u>
Total administrative expenses	<u>38,003</u>
Benefits and termination payments	<u>290,578</u>
Total deductions	<u>328,581</u>
NET INCREASE	(300,826)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Balance, beginning of year	<u>4,834,809</u>
Balance, end of year	<u>\$ 4,533,983</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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. Reconciliation's are provided that convert the results of governmental fund accounting to the government-wide presentations.

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. MANAGEMENT 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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

C. MANAGEMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (cont...)

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.

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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

C. MANAGEMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (cont...)

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.

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 \$170,000 have been eliminated in the governmental columns of the statement of activities.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

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.
- **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 and 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 which totaled \$59,000 as of September 30, 2010. 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 and totaled \$533,900 as of September 30, 2009.

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.

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. Rental income is recognized when earned.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

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, 2009, 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 general 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. 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.

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 \$1,000. 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.

Interest on enterprise fund 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. There was no interest cost capitalized in the enterprise funds for the year ended September 30, 2009.

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	Roads	75 Years
Utility Infrastructure	20-50 Years	Road Resurfacing	20 Years
Equipment	03-20 Years		

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

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

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 - 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.

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 2009 fiscal year was 3.0435 mills.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 2 - PROPERTY TAXES (cont...)

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.

NOTE 3 - BUDGET

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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 3 - BUDGET (cont...)

The following departments reported expenditures in excess of budgeted appropriations for 2009:

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT:				
Legislative	\$ 25,910	\$ 19,510	\$ 24,023	\$ (4,513)
Executive	\$ 220,740	\$ 223,790	\$ 240,404	\$ (16,614)
Finance	\$ 375,150	\$ 378,300	\$ 378,331	\$ (31)
Legal	\$ 39,170	\$ 39,170	\$ 44,238	\$ (5,068)
Police	\$ 1,087,370	\$ 1,060,870	\$ 1,068,941	\$ (8,071)

NOTE 4 - CASH AND INVESTMENTS

At September 30, 2009, the carrying amount of the City's deposits and investments (excluding pension trust funds) is summarized below:

Equity in pooled cash and cash equivalents:		
Cash on hand		\$ 1,137
Deposits in financial institutions:		
Insured or fully collateralized bank deposits		3,175,055
Uncategorized deposits:		
Government money market account		892,739
Broker money market account		491,637
		<u>491,637</u>
Total equity in pooled cash and cash equivalents		<u>\$ 4,560,568</u>
Investments:		
FHLMC note		<u>\$ 120,897</u>

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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 4 - CASH AND INVESTMENTS (cont...)

Investments - The types of investments in which the City and pension plans may invest are governed by the individual investment policies which set forth the allowable investments and minimum criteria for managing credit, interest rate and concentration risks, as set forth below:

Authorized Investments	Maximum Portfolio Concentration	Maximum Maturity	Maximum Issuer Concentration	Lowest Permitted S&P Rating
City of Fort Meade:				
U. S. Government securities	100.00%	5 years	10.00%	
U. S. Government Agency securities	100.00%	5 years	10.00%	
Government Sponsored Enterprises	75.00%	5 years	10.00%	AAA
State or local government obligations	30.00%	5 years	10.00%	AAA
Corporate notes of any U. S. company	30.00%	1 year	5.00%	AA-
Commercial paper of any U. S. company	30.00%	1 year	50.00%	A1+
Non-negotiable interest bearing deposits in qualified public depositories	50.00%	1 year	10.00%	
Intergovernmental investment pools	75.00%	1 day	75.00%	AAA _m
Florida Local Government Surplus Funds Trust Fund	50.00%	1 day	25.00%	AAA _m
Money market mutual funds (registered investment companies)	50.00%	1 day	25.00%	AAA _m
Repurchase agreements 102% secured by securities of the U. S. Government its Agencies or Instrumentalities	50.00%	1 year	25.00%	
Overall portfolio limitations:				
Overall portfolio total average duration limitation cannot exceed		5 years		
Minimum portfolio invested in daily liquid investments		25.00%		
Pension Plans:				
Police and Fire Pension Plans:				
Equity Securities of U.S. Corporations up to 60% of portfolio, at cost	60.00%		5.00%	A
Fixed Income Securities:				
Time, savings, money market deposits in a FDIC insured institution	Not Limited		Up to FDIC Coverage	
U. S. Government Agency securities	Not Limited			
Comingled funds administered by national or state banks	10.00%			A
Mutual funds issued by U. S. company	10.00%			A
Corporate notes of any U. S. company	10.00%		10.00%	A
Cash & equivalent securities	Not Limited			A-1
General Employees' Pension Plan:				
Equity Securities of U.S. Corporations up to 60% of portfolio, at cost	60.00%		5.00%	BBB
Fixed Income Securities (shall mean publically traded debt issued by):				
U. S. Government and agencies	Not Limited		100.00%	
Domestic corporations	Not Limited		5.00%	BBB
Domestic banks and other U.S. financial institutions	Not Limited			
Mortgage/asset backed securities, federally guaranteed or rated AAA	15.00%			AAA
Foreign entities registered with the SEC	Not Limited			A-1
Cash Equivalent Securities:				
U. S. Government and agencies	Not Limited			
Commercial paper	Not Limited			P-1
CDs, savings & money market accounts/funds domiciled in the US	Not Limited		Up to FDIC Coverage	

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 4 - CASH AND INVESTMENTS (cont...)

The schedule below summarizes the fixed income investments by credit rating and maturity:

Investment Type	S&P Rating	Fair Value	Investment Maturities			
			Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
CITY						
Short-term money market	NR	\$ 1,384,376	\$ 1,384,376	\$	\$	\$
U. S. Government Agency notes	AAA	\$ 120,897	\$ 120,897	\$	\$	\$
GENERAL EMPLOYEES PENSION PLAN						
Short-term money market	NR	\$ 446,707	\$ 446,707	\$	\$	\$
U. S. Government notes and bonds	AAA	\$ 193,227	\$ 86,063	\$	\$	\$ 107,164
U. S. Government Agency notes	AAA	156,145		133,319	16,373	6,453
Corporate bonds	A+ to D	224,274	8,500	92,660	53,283	69,831
Government asset backed securities	AAA	208,131			98,530	109,601
		<u>\$ 781,777</u>	<u>\$ 94,563</u>	<u>\$ 225,979</u>	<u>\$ 168,186</u>	<u>\$ 293,049</u>
POLICE OFFICERS' PENSION PLAN						
Short-term money market	NR	\$ 142,233	\$ 142,233	\$	\$	\$
U. S. Government notes and bonds	AAA	\$ 92,686	\$ 45,563	\$	\$	\$ 47,123
U. S. Government Agency notes	AAA	64,648		11,100	47,240	6,308
Corporate bonds	A+ to D	125,240	4,250	41,367	47,694	31,929
Government asset backed securities	AAA	99,645			49,485	50,160
		<u>\$ 382,219</u>	<u>\$ 49,813</u>	<u>\$ 52,467</u>	<u>\$ 144,419</u>	<u>\$ 135,520</u>
FIRE FIGHTERS' PENSION PLAN						
Short-term money market	NR	\$ 48,147	\$ 48,147	\$	\$	\$
U. S. Government notes and bonds	AAA	\$ 22,363	\$ 10,125	\$	\$	\$ 12,238
U. S. Government Agency notes	AAA	16,090		10,632	5,458	
Corporate bonds	A+ to D	22,266	850	10,259	5,328	5,829
Government asset backed securities	AAA	23,690			12,127	11,563
		<u>\$ 84,409</u>	<u>\$ 10,975</u>	<u>\$ 20,891</u>	<u>\$ 22,913</u>	<u>\$ 29,630</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 4 - CASH AND INVESTMENTS (cont...)

Other Investment 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:
 - ◆ structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; and
 - ◆ 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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Transfers	Additions	Deletions	Balance September 30, 2009
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 846,198				\$ 846,198
Total	<u>\$ 846,198</u>				<u>\$ 846,198</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,065,053		\$ 36,166		\$ 2,101,219
Equipment	1,686,907		42,030	(21,570)	1,707,367
Infrastructure:					
Road network	8,882,871		132,291		9,015,162
Total	<u>12,634,831</u>		<u>210,487</u>	<u>(21,570)</u>	<u>12,823,748</u>
Total all capital assets	<u>13,481,029</u>		<u>210,487</u>	<u>(21,570)</u>	<u>13,669,946</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,003,960)		(49,971)		(1,053,931)
Equipment	(1,015,988)		(102,859)	21,570	(1,097,277)
Infrastructure:					
Road network	(5,834,442)		(182,257)		(6,016,699)
Total accumulated depreciation	<u>(7,854,390)</u>		<u>(335,087)</u>	<u>21,570</u>	<u>(8,167,907)</u>
Depreciable capital assets, net	<u>4,780,441</u>		<u>(124,600)</u>		<u>4,655,841</u>
Governmental activities capital assets, net	<u>\$ 5,626,639</u>		<u>\$ (124,600)</u>		<u>\$ 5,502,039</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 345,838				\$ 345,838
Construction in process	1,338,266	(1,353,072)	533,548	(2,650)	516,092
Total	<u>\$ 1,684,104</u>	<u>\$ (1,353,072)</u>	<u>\$ 533,548</u>	<u>\$ (2,650)</u>	<u>\$ 861,930</u>
Capital assets being depreciated:					
Buildings, utility plant and improvements	\$ 17,539,439	\$ 1,297,914	\$ 80,128		\$ 18,917,481
Equipment	1,704,828		9,777	(495,483)	1,219,122
Total	<u>19,244,267</u>	<u>1,297,914</u>	<u>89,905</u>	<u>(495,483)</u>	<u>20,136,603</u>
Total all capital assets	<u>20,928,371</u>	<u>(55,158)</u>	<u>623,453</u>	<u>(498,133)</u>	<u>20,998,533</u>
Less accumulated depreciation	<u>(7,486,025)</u>		<u>(543,419)</u>	<u>402,252</u>	<u>(7,627,192)</u>
Depreciable capital assets, net	<u>11,758,242</u>	<u>1,297,914</u>	<u>(453,514)</u>	<u>(93,231)</u>	<u>12,509,411</u>
Business-type activities capital assets, net	<u>\$ 13,442,346</u>	<u>\$ (55,158)</u>	<u>\$ 80,034</u>	<u>\$ (95,881)</u>	<u>\$ 13,371,341</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 5 - CAPITAL ASSETS (cont...)

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

Governmental Activities:

General government	\$ 27,014
Law enforcement	5,113
Fire control	53,527
Building inspections	1,074
Roads and streets	186,658
Library	3,444
Recreation	11,039
Parks	43,449
Internal services	<u>3,769</u>
Total depreciation expense - governmental activities	<u>\$ 335,087</u>

Business-type Activities:

Electric	\$ 199,180
Water and sewer	271,745
Stormwater	45,703
Natural gas	10,566
Mobile home park	16,225
Solid waste	<u> </u>
Total depreciation expense - business-type activities	<u>\$ 543,419</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 6 - LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2009:

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Amounts Due within One Year
<u>Governmental Activities</u>					
Long-term debt:					
5th Cent Local Option Fuel Tax					
Revenue Notes, Series 2001	\$ 340,000		\$ (105,000)	\$ 235,000	\$ 115,000
Installment notes and leases payable	305,819	17,822	(55,778)	267,863	62,932
Total long-term debt	<u>645,819</u>	<u>17,822</u>	<u>(160,778)</u>	<u>502,863</u>	<u>177,932</u>
Other liabilities:					
Compensated absences	114,384		(8,081)	106,303	10,630
Total other liabilities	<u>114,384</u>		<u>(8,081)</u>	<u>106,303</u>	<u>10,630</u>
Total long-term obligations	<u>\$ 760,203</u>	<u>\$ 17,822</u>	<u>\$ (168,859)</u>	609,166	<u>\$ 188,562</u>
Less amount due in one year				<u>(188,562)</u>	
Total non-current obligations due in more than one year				<u>\$ 420,604</u>	
<u>Business-type Activities</u>					
Long-term debt:					
Revenue bonds and certificates:					
Electric System Series 1999	\$ 1,505,000		\$ (355,000)	\$ 1,150,000	\$ 370,000
Water and Sewer, Series 1982	179,605		(13,816)	165,789	13,816
Water and Sewer, Series 2005A	2,720,711		(31,576)	2,689,135	32,918
Water and Sewer, Series 2005B	741,743		(8,608)	733,135	8,974
Stormwater Revenue, Series 1998	585,000		(85,000)	500,000	90,000
Mobile Home Park Revenue, Series 2000	255,000		(30,000)	225,000	30,000
Water and Sewer, Series 2009		1,209,309	(11,645)	1,197,664	12,155
W & S Interim Construction Loan	1,250,000		(1,250,000)		
Installment notes and leases payable	86,648		(31,133)	55,515	17,750
Less premiums (discounts), net	<u>(103,570)</u>		<u>23,901</u>	<u>(79,669)</u>	
Total long-term debt	<u>7,220,137</u>	<u>1,209,309</u>	<u>(1,792,877)</u>	<u>6,636,569</u>	<u>575,613</u>
Other liabilities:					
Compensated absences	29,860	4,467		34,327	3,211
Total other liabilities	<u>29,860</u>	<u>4,467</u>		<u>34,327</u>	<u>3,211</u>
Total long-term obligations	<u>\$ 7,249,997</u>	<u>\$ 1,213,776</u>	<u>\$ (1,792,877)</u>	6,670,896	<u>\$ 578,824</u>
Less amount due in one year				<u>(578,824)</u>	
Total non-current obligations due in more than one year				<u>\$ 6,092,072</u>	

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 6 - LONG TERM DEBT (cont...)

Bonds and notes outstanding at September 30, 2009, consisted of the following for governmental and business-type activities:

	<u>Purpose</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
<u>Governmental Activities</u>					
Long-term debt:					
5th Cent Local Option Fuel Tax Revenue Notes, Series 2001	1	2011	5.300%	\$ 955,000	\$ 235,000
Installment notes and leases payable:					
Fire tanker lease	2	2011	4.560%	155,819	49,286
Fire truck lease	3	2015	4.670%	217,982	190,942
Tractor lease	4	2011	4.560%	18,132	9,813
Phone system purchase	5	2012	4.300%	\$ 17,822	17,822
Total governmental activities					<u>\$ 502,863</u>
<u>Business-type Activities</u>					
Long-term debt:					
Revenue bonds and certificates:					
Electric System Series 1999	6	2012	4.140%	\$ 3,755,000	\$ 1,150,000
Water and Sewer, Series 1982	7	2021	5.000%	193,421	165,789
Water and Sewer, Series 2005A	8	2045	4.250%	2,751,000	2,689,135
Water and Sewer, Series 2005B	9	2045	4.250%	750,000	733,135
Water and Sewer, Series 2009	10	2045	4.375%	1,209,309	1,197,664
Stormwater Revenue, Series 1998	11	2013	4.600%	1,200,000	500,000
Mobile Home Park Revenue, Series 2000	12	2015	5.450%	4,400,000	225,000
Installment notes and leases payable:					
Bucket truck lease	13	2012	5.860%	124,910	55,515
Street sweeper lease	14	2008	3.950%	\$ 81,000	
Total business-type activities					<u>\$ 6,716,238</u>

Purpose:

1. Acquisition of City roads
2. Kenworth fire tanker truck
3. Purchase fire pumper truck
4. Purchase Kubota tractor
5. Purchase new phone system
6. Electric system improvements
7. Water and sewer system improvements
8. Wastewater treatment system improvements
9. Wastewater treatment system improvements
10. Construction loan for water system improvements
11. Drainage improvements
12. Mobile home park community center
13. 2006 International bucket truck
14. Street sweeper, paid off in 2009

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 6 - LONG TERM DEBT (cont...)

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.

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:

- **Revenue Fund** - To receive the gross revenues of the utility system (except investment income) and disburse the proceeds, as appropriate.
- **Operations and Maintenance Fund** - To receive monthly transfers from the revenue fund to pay costs of operations and maintenance.
- **Sinking Fund** - 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.
- **Construction Fund** - To receive and disburse bond proceeds for the initial specified capital projects.
- **Renewal and Replacement Fund** - To accumulate and disburse funds for additions to, or major repairs of, the system.

Pledged Revenue - The City has pledged future revenues, net of certain operating expenses, for payment of debt. The following table provides a summary of the pledged revenues for the City's outstanding debt issues. Additional information regarding the City's pledged revenue can be found in the preceding sections of this note:

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
5th Cent fuel tax	07/01/2011	\$ 253,815	\$ 123,020	\$ 117,198	95.27%
Electric system net revenues	01/01/2012	\$ 1,224,118	\$ 410,504	\$ 972,811	236.98%
Water and sewer revenues	09/01/2048	\$ 9,478,645	\$ 286,882	\$ 258,045	89.95%
Stormwater revenues	11/01/2013	\$ 560,726	\$ 110,318	\$ 110,652	100.30%
Mobile home park revenues	05/01/2015	\$ 271,165	\$ 44,091	\$ 188,501	427.53%

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 6 - LONG TERM DEBT (cont...)

Annual debt service requirements as of September 30, 2009, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 177,931	\$ 25,173	\$ 575,613	\$ 283,411
2011	182,628	15,817	598,864	257,842
2012	35,557	6,621	626,661	230,814
2013	37,205	4,974	220,101	211,331
2014	33,977	3,250	272,722	203,282
2015 - 2019	35,565	1,662	432,036	913,770
2020 - 2024			475,167	813,955
2025 - 2029			551,824	707,634
2030 - 2034			680,417	579,040
2035 - 2039			838,988	420,471
2040 - 2044			1,034,514	224,943
2045 - 2049			409,331	33,476
Unamortized bond premium (discount)			(79,669)	
Total	\$ 502,863	\$ 57,497	\$ 6,636,569	\$ 4,879,969

Interest paid in the governmental activities totaled \$32,938 for the year ended September 30, 2009. Interest and other debt service costs incurred in the business-type activities totaled \$346,826 for the same period, none of which was capitalized.

Bond Issuance Costs and Refunding Loss - Information concerning deferred bond issuance costs and refunding losses is presented below. Such costs are being amortized to expense over the life of the related borrowing using the straight-line method.

Fund	Bond Issue	Original Balance	Annual Amortization	Remaining Unamortized Balance
Electric Fund	Series 1999	\$163,506	\$11,679	\$38,930
	Series 1999 refunding loss	\$334,613	\$23,901	\$79,669
Water & Sewer Fund	Series 2005A & B	\$46,650	\$1,166	\$41,985
	Series 2009	\$17,424	\$436	\$16,989
Stormwater Fund	Series 1998	\$23,972	\$1,712	\$5,564
Mobile Home Park Fund	Series 2000	\$12,906	\$922	\$4,609

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 7 - RESERVED FUND BALANCE AND RESTRICTED NET ASSETS

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, 2009. 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.

Various funds/activities reported the following reserved fund balances and restricted net assets, as of September 30, 2009:

	<u>Reserved Fund Balance</u>	<u>Restricted Net Assets</u>
<u>Governmental Funds/Activities</u>		
Inter-governmental receivable	\$ 23,875	\$
Petty cash	1,040	
Debt service	31,297	
Inventories	347,887	
Law enforcement	<u>26,492</u>	<u>26,492</u>
Total	<u>\$ 430,591</u>	<u>\$ 26,492</u>
<u>Enterprise Funds/Business-type Activities</u>		
Electric Fund:		
1999 sinking fund		\$ 277,500
1999 bond reserve		115,000
1999 renewal and replacement		<u>285,962</u>
Total		<u>\$ 678,462</u>
Water and Sewer Fund:		
1982 sinking fund		\$ 1,151
1982 bond reserve		22,105
2005A and 2005B sinking fund		3,491
2005A and 2005B reserve		74,936
2009 sinking fund		1,013
2009 bond reserve		8,620
Water impact fees		73,542
Sewer impact fees		<u>120,432</u>
Total		<u>\$ 305,290</u>
Stormwater Fund:		
1998 sinking fund		\$ 82,500
Total		<u>\$ 82,500</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 8 - 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, 2009, the balance in due from/to other funds consisted of the following:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General Fund	Solid waste fund	\$ 9,500
General Fund	Police pension plan	23,875
	Eliminated in combining governmental activities	(23,875)
	Combined governmental funds	9,500
Business-type Funds:		
Electric Fund	General Fund	80,037
Water and sewer fund	General Fund	4,612
Solid waste fund	General Fund	30,000
Natural gas fund	General Fund	943
	Eliminated in combining business-type activities	
	Combined business-type funds	115,592
	Combined government-wide total receivable/payable	\$ 106,092

Interfund transfers for the year September 30, 2009, consisted of:

Receiving Fund	Paying Fund	Amount
General Fund	Electric Fund	\$ 550,000
General Fund	Water Fund	82,470
General Fund	Mobile Home Park Fund	140,600
General Fund	Solid Waste Fund	52,430
Debt Service Fund	General Fund	152,061
	Fund-level interfund transfers	977,561
	Eliminated in combining activities	(152,061)
	Combined government-wide total	\$ 825,500

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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 9 - RETIREMENT TRUST FUNDS

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

	as of October 1, 2008		
	General Employees'	Police Officers' Fund	Firefighters' Fund
Retirees and beneficiaries			
currently receiving benefits	13	6	5
Terminated vested employees	15	18	7
Active Employees:			
Vested	19		11
Nonvested	29		14
Totals	76	24	37

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.

Normal Retirement Date - The earliest of the following:

- Age 55 and completion of 30 years of service.
- Age 65 (60 for police officers and fire fighters) and completion of 10 years of service.
- Age 70 (65 for police officers and fire fighters).

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 9 - RETIREMENT TRUST FUNDS (cont...)

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.

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 - DROP (Beyond Normal Retirement Date)

- **Eligibility** - Completion of service and attained the earlier of age 62 or normal retirement.
- **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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 9 - RETIREMENT TRUST FUNDS (cont...)

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.

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.

Funding Policy and Annual Pension Cost - 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
September 30, 2009

NOTE 9 - RETIREMENT TRUST FUNDS (cont...)

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, 2008, 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:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Contribution rates			
City	8.39%	0.00%	7.01%
Plan members	0.00%	0.00%	0.00%
Annual pension cost	\$146,734	\$0	\$5,517
Contributions made	\$146,734	\$0	\$8,647

Effective January 1, 2008, the City's law enforcement activities were transferred to the Polk County Sheriff and all of the police officers were either hired by the Sheriff or were terminated. Those hired by the Sheriff have all agreed to participate in the Sheriff's retirement plan. The actuary has determined that the assets in the existing police officers' pension plan are sufficient to fund the existing liability for vested benefits and contributions for fiscal year ended September 30, 2009 were not required.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 9 - RETIREMENT TRUST FUNDS (cont...)

Actuarial Methods and Assumptions - The following is information for the actuarial valuations for each respective plan:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Actuarial valuation date	October 1, 2008	October 1, 2008	October 1, 2008
Actuarial cost method	Frozen entry age	Aggregate method	Frozen entry age
Amortization method	Level dollar, closed	N/A	Level dollar, closed
Remaining amortization period	20 years	N/A	20 years
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Investment rate of return	8.0%	8.0%	8.0%
Project salary increases	6.5%	7.0%	7.0%
Inflation rate	3.5%	3.5%	3.5%

Three Year Trend Information - Annual pension cost and contribution amounts for the current and two preceding years is shown below. The net pension asset of \$3,708 was not recorded in the entity-wide financial statements due to its insignificance.

Year Ended	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation (Asset)
	Employer	State	Total		
September 30					
General Employees' Plan					
2009	\$ 146,734	-	146,734	100%	-
2008	\$ 141,824	-	141,824	100%	-
2007	\$ 137,231	-	137,231	100%	-
Police Officers' Plan					
2009	\$ -	\$ -	\$ -	100%	-
2008	\$ -	\$ -	\$ -	100%	-
2007	\$ 69,937	\$ -	\$ 69,937	100%	-
Firefighters' Plan					
2009	\$ 5,517	\$ -	\$ 5,517	157%	(3,708)
2008	\$ 5,327	\$ -	\$ 5,327	111%	(578)
2007	\$ 9,808	\$ -	\$ 9,808	100%	-

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 9 - RETIREMENT TRUST FUNDS (cont...)

Funded Status and Funding Progress - The following is the funded status information for each plan as of the most recent actuarial valuation date:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Portion (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Employees' Plan						
10/01/2008	\$ 3,614,000	\$ 3,867,000	\$ 253,000	93.46%	\$ 1,635,000	15.47%
Police Officers' Plan						
10/01/2008	\$ 1,627,000	\$ 1,369,000	\$ (258,000)	118.85%	\$ -	NA
Firefighters' Plan						
10/01/2008	\$ 395,000	\$ 351,000	\$ (44,000)	112.54%	\$ 90,000	-48.89%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The police officers' plan utilized the aggregate actuarial cost method for years after the October 1, 2005 valuation, which method does not identify or separately amortize unfunded actuarial liabilities. The schedule of funding progress for this plan is prepared using the entry age method.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 10 - 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.

NOTE 11 - 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:

	Mobile Home Park
CONDENSED STATEMENT OF NET ASSETS	
ASSETS	
Current assets	\$ 13,075
Restricted assets	17,723
Capital assets, net	358,343
Other assets	4,609
TOTAL ASSETS	393,750
LIABILITIES	
Current liabilities	53,415
Liabilities payable from restricted assets	5,223
Noncurrent liabilities	195,000
TOTAL LIABILITIES	253,638
NET ASSETS	
Invested in capital assets, net of related debt	137,952
Unrestricted	2,160
TOTAL NET ASSETS	\$ 140,112

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 11 - SEGMENT INFORMATION (cont...)

	Mobile Home Park
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	
OPERATING REVENUES	\$ 343,253
OPERATING EXPENSES:	
Depreciation	16,225
Other	155,388
Total operating expenses	171,613
OPERATING INCOME	171,640
NONOPERATING REVENUE (EXPENSE)	(13,675)
TRANSFERS IN (OUT)	(140,600)
Change in net assets	17,365
TOTAL NET ASSETS - beginning of year	122,747
TOTAL NET ASSETS - end of year	\$ 140,112

CONDENSED STATEMENT OF CASH FLOWS

CASH FLOWS FROM:	
Operating activities	\$ 192,795
Noncapital financing activities	(140,600)
Capital and related financing activities	(45,226)
Investing activities	636
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,605
CASH AND CASH EQUIVALENTS, beginning of year	23,193
CASH AND CASH EQUIVALENTS, end of year	\$ 30,798

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 12 - 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 13 - COMMITMENT AND CONTINGENCIES

Grants - During the 2009 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.

Legal Proceedings - 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.

Leases - 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 which ended December 31, 2008. 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. On July 14, 2009 the City of Fort Meade notified FMPA of our intention to convert to contract rate of delivery (CROD) pursuant to sections 3 and 23, all requirements power supply contract between FMPA and the City of Fort Meade effective January 2, 2010. The CROD will be effective January 1, 2013.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2009

NOTE 13 - COMMITMENT AND CONTINGENCIES (cont...)

Contract with Polk County Sheriff - Effective January 1, 2008, the City contracted with the Polk County Sheriff to provide police services within the City. Under the agreement, which runs from January 1, 2008 to September 30, 2012, the City shall pay the Sheriff the following annual amounts (in quarterly installments), for the base services for each fiscal year through 2012. The City paid \$1,040,851 for the year ended September 30, 2009:

<u>Year</u>	
2010	1,067,888
2011	1,110,937
2012	1,140,302

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The basic premise of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. By State Statute, all of the City's retirees may, at the retiree's cost, elect to purchase health insurance at the rates currently offered by the City to its active employees. Because of this state mandate, there is an implicit cost to the City by virtue of the fact that the cost to the retiree is a blended rate which is less than the rate the retiree would have to pay if private coverage were arranged. While the City currently does not have any retirees who have elected coverage under the City's plan, accounting for OPEB under GASB No. 45 may result in the City reporting an actuarially-based liability for the cost of these benefits. The City will be required to implement GAS No. 45 in the fiscal year beginning October 1, 2009 and has not yet determined the impact on the financial statements of implementing this statement.

NOTE 15 - CLOSE OUT OF INTERNAL SERVICE FUND

At September 30, 2009, the internal service fund was closed and all of its assets, liabilities and net assets were transferred into the general fund resulting in an increase in the general fund's fund balance of \$227,307. The internal service fund's fleet maintenance and central warehouse activities will be reported in the general fund going forward.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL FUND
 For the year ended September 30, 2009
 CITY OF FORT MEADE, FLORIDA

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 1,661,520	\$ 1,661,520	\$ 1,683,939	\$ 22,419
Licenses and permits	64,840	64,840	77,043	12,203
Intergovernmental revenue	795,660	814,810	740,448	(74,362)
Charges for services	15,750	15,750	16,967	1,217
Fines and forfeitures	115,150	115,150	97,409	(17,741)
Interest and miscellaneous	61,600	61,600	37,825	(23,775)
Inter-fund service charges	170,000	170,000	170,000	
Total revenues	<u>2,884,520</u>	<u>2,903,670</u>	<u>2,823,631</u>	<u>(80,039)</u>
EXPENDITURES:				
General governmental:				
Legislative	25,910	19,510	24,023	(4,513)
Executive	220,740	223,790	240,404	(16,614)
Finance	375,150	378,300	378,331	(31)
Legal	39,170	39,170	44,238	(5,068)
Planning	17,000	19,500	13,723	5,777
Other general government	74,170	61,565	55,868	5,697
Public safety:				
Police	1,087,370	1,060,870	1,068,941	(8,071)
Fire	276,880	280,510	276,339	4,171
Inspections	153,100	153,100	141,667	11,433
Transportation-streets	581,670	646,121	565,327	80,794
Economic environment:	17,260	17,260	17,239	21
Culture/Recreation:				
Library	199,165	199,165	183,815	15,350
Recreation	160,490	155,715	152,794	2,921
Parks	542,945	522,946	486,738	36,208
Total expenditures	<u>3,771,020</u>	<u>3,777,522</u>	<u>3,649,447</u>	<u>128,075</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(886,500)	(873,852)	(825,816)	48,036
OTHER FINANCING SOURCES (USES):				
Proceeds from debt	81,000	11,000	17,822	6,822
Reappropriate prior year surplus		57,352		(57,352)
Transfers in	805,500	805,500	825,500	20,000
Total other financing sources	<u>886,500</u>	<u>873,852</u>	<u>843,322</u>	<u>(30,530)</u>
NET CHANGE IN FUND BALANCE	<u>\$</u>	<u>\$</u>	<u>\$ 17,506</u>	<u>\$ 17,506</u>

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

A schedule of revenues, expenditures, and changes in fund balances is 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.

For the general fund, the budget and actual presentation amounts transferred out to the debt service fund are reported as expenditures within the respective operating department but are reported as transfers out in the statement of revenues, expenditures, and changes in fund balances.

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUNDS
SCHEDULES OF FUNDING PROGRESS
CITY OF FORT MEADE, FLORIDA**

The following information presents the schedule of funding progress for each of the pension plans:

General Employees' Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2008	\$ 3,614,000	\$ 3,867,000	\$ 253,000	93.46%	\$ 1,635,000	15.47%
10/01/2007	\$ 3,501,000	\$ 3,813,000	\$ 312,000	91.82%	\$ 1,690,000	18.46%
10/01/2005	\$ 2,993,000	\$ 3,313,000	\$ 320,000	90.34%	\$ 1,528,000	20.94%
10/01/2004	\$ 2,804,000	\$ 2,996,000	\$ 192,000	93.59%	\$ 1,383,000	13.88%
10/01/2003	\$ 2,638,000	\$ 2,702,000	\$ 64,000	97.63%	\$ 1,338,000	4.78%
10/01/2002	\$ 2,461,000	\$ 2,578,000	\$ 117,000	95.46%	\$ 1,349,000	8.67%

Police Officers' Retirement Trust Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2008	\$ 1,627,000	\$ 1,369,000	\$ (258,000)	118.85%	\$ -	NA
10/01/2007	\$ 1,664,000	\$ 1,415,000	\$ (249,000)	117.60%	\$ 696,000	-35.78%
10/01/2005	\$ 1,427,000	\$ 1,540,000	\$ 113,000	92.66%	\$ 558,000	20.25%
10/01/2004	\$ 1,329,000	\$ 1,462,000	\$ 133,000	90.90%	\$ 553,000	24.05%
10/01/2003	\$ 1,241,000	\$ 1,438,000	\$ 197,000	86.30%	\$ 489,000	40.29%
10/01/2002	\$ 1,153,000	\$ 1,467,000	\$ 314,000	78.60%	\$ 521,000	60.27%

Firefighters' Retirement Trust Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2008	\$ 395,000	\$ 351,000	\$ (44,000)	112.54%	\$ 90,000	-48.89%
10/01/2007	\$ 388,000	\$ 330,000	\$ (58,000)	117.58%	\$ 76,000	-76.32%
10/01/2005	\$ 346,000	\$ 316,000	\$ (30,000)	109.49%	\$ 98,000	-30.61%
10/01/2004	\$ 329,000	\$ 310,000	\$ (19,000)	106.13%	\$ 94,000	-20.21%
10/01/2003	\$ 311,000	\$ 263,000	\$ (48,000)	118.25%	\$ 74,000	-64.86%
10/01/2002	\$ 292,000	\$ 266,000	\$ (26,000)	109.77%	\$ 77,000	-33.77%

COMBINING FINANCIAL STATEMENTS

CITY OF FORT MEADE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2009

	<u>Grants Fund</u>	<u>Hurricane Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
REVENUES:				
Intergovernmental revenue	\$ 4,806	\$	\$	\$ 4,806
Other			73	73
Total revenues	<u>4,806</u>		<u>73</u>	<u>4,879</u>
EXPENDITURES:				
Public safety	4,804			4,804
Debt service			193,561	193,561
Total expenditures	<u>4,804</u>		<u>193,561</u>	<u>198,365</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2</u>		<u>(193,488)</u>	<u>(193,486)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)			193,718	193,718
Total other financing sources			<u>193,718</u>	<u>193,718</u>
NET CHANGE IN FUND BALANCE	2		230	232
FUND BALANCE, beginning of year		85,788	31,067	116,855
Close funds out to general fund	(2)	(85,788)	(31,297)	(117,087)
FUND BALANCE, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Elimination of Non-major Governmental Funds - effective September 30, 2009, the City eliminated the above funds and transferred their assets, liabilities and net assets to the General Fund, as a result, a combining balance sheet for these funds is not presented.

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF NET ASSETS - NON-MAJOR ENTERPRISE FUNDS
As of September 30, 2009

	Business Type Activities - Non-Major Funds			
	Natural Gas Utility	Mobile Home Park Fund	Solid Waste Fund	Total
ASSETS				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 65,420	\$ 13,075	\$ 81,130	\$ 159,625
Receivables, net				
Customers	79,214		54,777	133,991
Investments	2,503			2,503
Due from other funds	943		30,000	30,943
Prepaid items	76			76
Total current assets	<u>148,156</u>	<u>13,075</u>	<u>165,907</u>	<u>327,138</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents	39,493	17,723		57,216
Investments	4,700			4,700
Capital assets, net				
Non-depreciable		10,864		10,864
Depreciable	118,207	347,479		465,686
Unamortized bond issue costs		4,609		4,609
Total noncurrent assets	<u>162,400</u>	<u>380,675</u>		<u>543,075</u>
TOTAL ASSETS	<u>310,556</u>	<u>393,750</u>	<u>165,907</u>	<u>870,213</u>
LIABILITIES				
Current liabilities:				
Accounts payable	11,279	5,374		16,653
Accrued wages	3,480	216		3,696
Deferred revenues		17,825		17,825
Due to other funds			9,500	9,500
Compensated absences, current portion	1,060			1,060
Bonds and notes payable, current portion		30,000		30,000
Total current liabilities	<u>15,819</u>	<u>53,415</u>	<u>9,500</u>	<u>78,734</u>
Noncurrent liabilities:				
Compensated absences, noncurrent portion	9,542			9,542
Payable from restricted assets:				
Accrued interest payable		5,223		5,223
Customer deposits	44,193			44,193
Bonds and notes payable, noncurrent portion		195,000		195,000
Total noncurrent liabilities	<u>53,735</u>	<u>200,223</u>		<u>253,958</u>
TOTAL LIABILITIES	<u>69,554</u>	<u>253,638</u>	<u>9,500</u>	<u>332,692</u>
NET ASSETS				
Invested in capital assets, net of related debt	118,207	137,952		256,159
Unrestricted	122,795	2,160	156,407	281,362
TOTAL NET ASSETS	<u>\$ 241,002</u>	<u>\$ 140,112</u>	<u>\$ 156,407</u>	<u>\$ 537,521</u>

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - NON-MAJOR ENTERPRISE FUNDS
For the year ended September 30, 2009

	Business Type Activities - Non-Major Funds			Total
	Natural Gas Utility	Mobile Home Park Fund	Solid Waste Fund	
OPERATING REVENUES:				
Charges for services	\$ 412,511	\$ 343,253	\$ 426,169	\$ 1,181,933
Total operating income	<u>412,511</u>	<u>343,253</u>	<u>426,169</u>	<u>1,181,933</u>
OPERATING EXPENSES:				
Personal services	95,747	10,912		106,659
Purchases for resale	187,554			187,554
Operating expenses	63,437	144,476	408,723	616,636
Depreciation	10,566	16,225		26,791
Total operating expenses	<u>357,304</u>	<u>171,613</u>	<u>408,723</u>	<u>937,640</u>
OPERATING INCOME	<u>55,207</u>	<u>171,640</u>	<u>17,446</u>	<u>244,293</u>
NONOPERATING REVENUE (EXPENSE):				
Interest revenue	536	37	156	729
Interest expense		(14,311)		(14,311)
Loss on disposal of capital asset			(93,231)	(93,231)
Other, net	8,233	599		8,832
Total nonoperating revenues (expenses)	<u>8,769</u>	<u>(13,675)</u>	<u>(93,075)</u>	<u>(97,981)</u>
Income (loss) before contributions and transfers	63,976	157,965	(75,629)	146,312
TRANSFERS IN (OUT)		<u>(140,600)</u>	<u>(52,430)</u>	<u>(193,030)</u>
Change in net assets	63,976	17,365	(128,059)	(46,718)
TOTAL NET ASSETS - beginning of year	<u>177,026</u>	<u>122,747</u>	<u>284,466</u>	<u>584,239</u>
TOTAL NET ASSETS - end of year	<u>\$ 241,002</u>	<u>\$ 140,112</u>	<u>\$ 156,407</u>	<u>\$ 537,521</u>

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR ENTERPRISE FUNDS
For the year ended September 30, 2009

	Business Type Activities - Non-Major Funds			Total
	Natural Gas Utility	Mobile Home Park Fund	Solid Waste Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 370,558	\$ 343,253	\$ 423,575	\$ 1,137,386
Payments to suppliers	(254,420)	(139,762)	(438,825)	(833,007)
Payments for salaries and benefits	(94,635)	(10,696)		(105,331)
Net cash flows from operating activities	<u>21,503</u>	<u>192,795</u>	<u>(15,250)</u>	<u>199,048</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Increase (decrease) in customer deposits	(6,438)			(6,438)
Increase (decrease) in due to other funds			9,500	9,500
Transfers (to) from other funds		(140,600)	(52,430)	(193,030)
Net cash flows from noncapital financing activities	<u>(6,438)</u>	<u>(140,600)</u>	<u>(42,930)</u>	<u>(189,968)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets, net of related payables		(1,140)		(1,140)
Principal paid on notes, bonds and lease obligations		(30,000)		(30,000)
Interest paid on borrowings		(14,086)		(14,086)
Net cash flows from capital and related financing activities	<u>-</u>	<u>(45,226)</u>	<u>-</u>	<u>(45,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Other investing income / (loss)	8,233	599		8,832
Proceeds from investments	15			15
Interest on invested funds and other	536	37	156	729
Net cash flows from investing activities	<u>8,784</u>	<u>636</u>	<u>156</u>	<u>9,576</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>23,849</u>	<u>7,605</u>	<u>(58,024)</u>	<u>(26,570)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>81,064</u>	<u>23,193</u>	<u>139,154</u>	<u>243,411</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 104,913</u>	<u>\$ 30,798</u>	<u>\$ 81,130</u>	<u>\$ 216,841</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income / (loss)	\$ 55,207	\$ 171,640	\$ 17,446	\$ 244,293
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	10,566	16,225		26,791
(Increase) decrease in accounts receivable	(41,953)	-	(2,594)	(44,547)
Increase (decrease) in accounts payable	(3,429)	2,064	(102)	(1,467)
Increase (decrease) in accrued wages	(1,822)	216		(1,606)
Increase (decrease) in comp absences	2,934			2,934
Increase (decrease) in deferred revenue and other		2,650	(30,000)	(27,350)
Net cash flows from operating activities	<u>\$ 21,503</u>	<u>\$ 192,795</u>	<u>\$ (15,250)</u>	<u>\$ 199,048</u>
Noncash financing and investing activities -				
Loss on retirement of capital asset (incinerator)			93,231	\$ 93,231

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF PLAN NET ASSETS - PENSION FUNDS
As of September 30, 2009

	Pension Trust Funds			Total
	General Employees	Police Pension	Fire Pension	
ASSETS				
Receivables:				
City	\$ 18,901	\$	\$	\$ 18,901
Accrued income	9,195	4,882	995	15,072
Total receivables	28,096	4,882	995	33,973
Investments, at fair market value:				
Short-term money market funds	446,707	142,233	48,147	637,087
Fixed income securities	781,777	382,219	84,409	1,248,405
Equity securities	1,738,000	724,568	175,825	2,638,393
Total investments	2,966,484	1,249,020	308,381	4,523,885
Total assets	2,994,580	1,253,902	309,376	4,557,858
LIABILITIES				
Due to other funds		23,875		23,875
Total liabilities		23,875		23,875
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 2,994,580	\$ 1,230,027	\$ 309,376	\$ 4,533,983

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS
For the year ended September 30, 2009

	Pension Trust Funds			Total
	General Employees	Police Pension	Fire Pension	
ADDITIONS				
Contributions:				
City	\$ 146,734	\$	\$ 8,646	\$ 155,380
Total contributions	146,734		8,646	155,380
Investment income (loss)	(58,955)	(34,073)	(13,564)	(106,592)
Less investment expenses:				
Investment fees	13,359	6,190	1,484	21,033
Total investment expenses	13,359	6,190	1,484	21,033
Net investment income (loss)	(72,314)	(40,263)	(15,048)	(127,625)
Total additions	74,420	(40,263)	(6,402)	27,755
DEDUCTIONS				
Administrative expenses:				
Actuarial	9,053	4,311	1,906	15,270
Legal	8,017	2,203	514	10,734
Custodial and other fees	5,957	4,943	1,099	11,999
Total administrative expenses	23,027	11,457	3,519	38,003
Benefits and termination payments	160,326	105,460	24,792	290,578
Total deductions	183,353	116,917	28,311	328,581
NET INCREASE (DECREASE)	(108,933)	(157,180)	(34,713)	(300,826)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:				
Balance, beginning of year	3,103,513	1,387,207	344,089	4,834,809
Balance, end of year	<u>\$ 2,994,580</u>	<u>\$ 1,230,027</u>	<u>\$ 309,376</u>	<u>\$ 4,533,983</u>

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 26, 2010. 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 over financial reporting 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of current year findings to be significant deficiencies in internal control over financial reporting:

- 2009-1 – Franchise Fees - Trash Taxi
- 2009-2 – Power Costs Over/Under Recovered Calculation

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
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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

**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)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters that we reported to management in a separate management letter dated February 26, 2010.

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, 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

February 26, 2010
Sarasota, Florida

MANAGEMENT LETTER

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), as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated February 26, 2010.

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. We have issued our report on internal control over financial reporting and compliance and other matters. Disclosures in that report, which is dated February 26, 2010, 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. This letter includes the following information, which is not included in the aforementioned auditors' report:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the summary schedule of prior audit findings.
- 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. In connection with our audit, we have a recommendation as described in the accompanying schedule of current year findings:
 - 2009-3 – Capitalization Policy

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
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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

MANAGEMENT LETTER

(Continued)

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statement amounts 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*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we have a finding as described in the accompanying schedule of current year findings:
 - 2009-4 – Expenditures in Excess of Budgeted Appropriations
- 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, 2009, 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, 2009. 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*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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.

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. It is not intended to be used, and should not be used, by anyone other than these specified parties.

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

MANAGEMENT LETTER
(Concluded)

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

February 26, 2010
Sarasota, Florida

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA**

Audit Finding Number	Title/Program	Brief Description	Status	Comments
2006-1	Line Loss - Electric	In a 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.	Significant improvements noted.	The City contracted with FMPA to analyze the entire system. Many of the recommendations have been implemented, but line loss, while improved, remains high.
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.	Not resolved yet.	The City is aware of the requirements and is looking into its options for meeting the standard.
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. We performed a preliminary analysis of this area during a prior audit and presented a list of initial observations to the City Manager.	Partially resolved.	The City has implemented changes to processes, installed safeguards, and increased monitoring to strengthen the City's controls. This is an ongoing process and the City is evaluating options to further strengthen controls.
2008-2	Pooled Cash Reconciliations	The City maintains a pooled cash fund whereby multiple funds pool their cash to realize better returns and ease of administration. We noticed that the reconciliation of the bank accounts to the general ledger had some immaterial differences each month. Also, it was noticed that the pooled cash fund does not equal the individual cash balances in the funds that participate in the fund.	Not resolved yet.	The City is monitoring the differences and trying to identify all reconciling items on the bank reconciliation and ensure that all individual account balances equal the pooled cash account total.

**SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
CITY OF FORT MEADE, FLORIDA**

A. Internal Controls – Significant Deficiencies

2009-1 Franchise Fees - Trash Taxi—The City did not have a good system to track franchise fee revenue earned from their garbage contractor, Trash Taxi. As such, amounts were recorded incorrectly between general fund franchise fees and sanitation fund expenses. As a result, the correct amounts were not deducted from contractor invoices on a timely basis.

Recommendation—We recommend the City better monitor this contract, and process the franchise fees as separate billings instead of simply crediting the contractor invoice.

2009-2 Power Costs Over/Under Recovered Calculation—The City maintains a schedule calculating the power costs over/under recovered at any point in time. We found errors in the calculations and brought them to the attention of management.

Recommendation—We recommend the City consider a periodic review of this calculation independent of the preparer.

B. Recommendations to Improve Financial Management

2009-3 Capitalization Policy—The City does not have a comprehensive policy for the capitalization of costs relating to fixed assets and infrastructure. Ideally, it should encompass areas such as capitalization thresholds, repairs versus capital (especially as it relates to infrastructure), impairments, componentization, transfers, and establishing and monitoring useful lives.

Recommendation—We recommend the City develop and implement a comprehensive capitalization policy.

C. Other Matters

2009-4 Expenditures in Excess of Budgeted Appropriations—The City reported five departments that had expenditures in excess of budgeted appropriations by a combined \$34,297.

Recommendation—We recommend the City require departments to stay within the budget through timely monitoring of results and through the amendment process.

Management's Response



City of Fort Meade

City Hall
8 West Broadway • P.O. Box 856
Fort Meade, Florida 33841-0856
(863) 285-1100 • FAX: (863) 285-1124

March 4, 2010

Mayor Nelson and City Commissioners
City of Fort Meade
Fort Meade, FL

Please see the City of Fort Meade responses below to FY 2009 and prior year Audit Findings by Purvis Gray & Company.

Prior Year Findings:

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: Line losses have increased 3.65% from 2008 to 2009. This may be due to differences in TECO billing vs. FMPA billing. Efforts to improve electric system efficiency are ongoing.

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: Key controls are documented and reviewed by each group. Improvements are ongoing.

2008-2 Pooled Cash Reconciliations – The City maintains a pooled cash fund whereby multiple funds pool their cash to realize better returns and ease of administration. We noticed that the reconciliation of the bank account to the general ledger had some immaterial differences each month. Also, it was noticed that the pooled cash fund does not equal the individual cash balances in the funds that participate in the fund.

Recommendation: We encourage the City to perform timely, complete reconciliations on the pooled cash accounts in the future.

COFM Response: This issue has been mostly resolved by backing out payments returned as NSF rather than carrying these items manually on the bank statement reconciliation. Current statements have been off less than \$50 per month. Work is ongoing to discover the remaining discrepancies.

2009-1 Franchise Fees – Trash Taxi – The City did not have a good system to track franchise fee revenue earned from their garbage contractor, Trash Taxi. such, amounts were recorded incorrectly between general fund franchise fees and sanitation fund expenses. As a result, the correct amounts were not deducted from contractor invoices on a timely basis.

Recommendation: We recommend the City better monitor this contract and process the franchise fees as separate billings instead of simply crediting the contractor invoice.

COFM Response: Franchise Fees due from Trash Taxi are invoiced each month. Payments from Trash Taxi are the rung up to the invoice which will better track these payments.

2009-2 Power Costs Over/Under Recovered Calculation - The City maintains a schedule calculating the power costs over/under recovered at any point in time. We found errors in the calculations and brought them to the attention of management.

Recommendation: We recommend the City consider a periodic review of this calculation independent of the preparer.

COFM Response: The City Manager or his designee will periodically review this spreadsheet for accuracy.

2009-3 -Capitalization Policy - The City does not have a capitalization policy for the capitalization of costs related to fixed assets and infrastructure. Ideally, it should encompass areas such as capitalization thresholds, repairs versus capital (especially as it relates to infrastructure), impairments, componentization, transfers, and establishing and monitoring useful lives.

Recommendation: We recommend the City develop and implement a comprehensive capitalization policy.

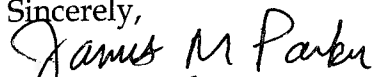
COFM Response: The City will develop and implement a comprehensive capitalization policy.

2009-4 - Expenditures in Excess of Budgeted Appropriations - The City reported five departments that has expenditures in excess of budgeted appropriations by a combined \$34,297.

Recommendation: We recommend the City require departments to stay within the budget through timely monitoring of results and through the amendment process.

COFM Response: The City distributes monthly detailed budget reports to City management. The City will make every effort to stay within budget and amend the budget as needed to ensure the budget remains balanced.

Sincerely,



James M. Parker

Finance Director

City of Fort Meade