

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

September 30, 2011

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

September 30, 2011

CITY COMMISSION

Mayor, Commissioner

James Watts

Vice-Mayor, Commissioner

Barbara Manley

Commissioner

Robert Elliott

Commissioner

Maurice Nelson

Commissioner

Rick Cochrane

APPOINTED OFFICIALS

City Manager

Fred Hilliard

City Attorney

Gray Robinson

CITY OF FORT MEADE, FLORIDA

September 30, 2011

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CITY OF FORT MEADE, FLORIDA

SEPTEMBER 30, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
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, 2011. 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 \$16,433,003 (net assets). Of this amount, \$3,080,328 (unrestricted net assets) may be used to meet the City's obligations to provide ongoing services to our citizens, customers and creditors, or to establish reserves for emergencies or catastrophic events.
- The City's total net assets decreased by \$154,142 during 2011. Net assets of governmental activities decreased by \$413,290 while net assets of business-type activities increased by \$259,148.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,196,853 a decrease of \$378,159 for the year. Of the total fund balance, \$984,520 is available for spending at the City's discretion (unassigned 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, 2011
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, 2011
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 has only one governmental fund, the general fund, and it's 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 the same as 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 has no internal service funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
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 has three defined benefit pension plans that are reported 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 14-45 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 46-48 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 49-53. 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF FORT MEADE, FLORIDA
(Continued)

Government-Wide Financial Analysis

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

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	
	2011	2010	2011	2010 *	2011	2010
Current and other assets	\$1,341,217	\$1,716,430	\$4,304,721	\$4,276,472	\$5,645,938	\$5,992,902
Capital assets	4,984,930	5,213,106	12,640,407	12,877,034	17,625,337	18,090,140
Total assets	6,326,147	6,929,536	16,945,128	17,153,506	23,271,275	24,083,042
Current and other liabilities	146,281	145,353	933,272	825,240	1,079,553	970,593
Long-term obligations	196,247	387,274	5,562,472	6,138,030	5,758,719	6,525,304
Total liabilities	342,528	532,627	6,495,744	6,963,270	6,838,272	7,495,897
Net assets:						
Invested in capital assets, net of related debt	4,851,918	4,901,823	7,315,599	6,992,241	12,167,517	11,894,064
Restricted	26,549	26,538	1,158,609	1,150,643	1,185,158	1,177,181
Unrestricted	1,105,152	1,468,548	1,975,176	2,047,352	3,080,328	3,515,900
Total net assets	\$5,983,619	\$6,396,909	\$10,449,384	\$10,190,236	\$16,433,003	\$16,587,145

* 2010 restated as discussed in Note 15 to the financial statements.

The City's assets exceeded its liabilities by \$16,433,003 (net assets) at the close of the fiscal year, a decrease of \$154,142 over the prior year.

A substantial portion of the City's net assets (74%) is invested 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 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,080,328 (19%), may be used to meet the government's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
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	
	2011	2010	2011	2010 *	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$383,802	\$229,374	\$8,092,269	\$8,668,670	\$8,476,071	\$8,898,044
Operating grants and contributions	120,885	132,534			120,885	132,534
Capital grants and contributions	10,024	36,606	200,000	86,550	210,024	123,156
General revenues:						
Property taxes	333,727	387,404			333,727	387,404
Other taxes	994,662	1,308,025			994,662	1,308,025
Other	578,075	610,632	72,983	73,409	651,058	684,041
Total revenues	2,421,175	2,704,575	8,365,252	8,828,629	10,786,427	11,533,204
Expenses:						
Governmental Activities:						
General government	787,811	668,272			787,811	668,272
Law enforcement	1,165,840	1,149,470			1,165,840	1,149,470
Fire	252,972	227,220			252,972	227,220
Building inspections	103,188	113,808			103,188	113,808
Road and streets	433,111	476,133			433,111	476,133
Economic environment						
Library	214,317	210,636			214,317	210,636
Recreation	178,073	183,044			178,073	183,044
Parks	360,256	445,170			360,256	445,170
Interest on long-term debt	13,205	23,943			13,205	23,943
Business-type Activities:						
Electric			4,978,627	5,521,022	4,978,627	5,521,022
Water and sewer			1,342,190	1,563,123	1,342,190	1,563,123
Stormwater			81,340	84,252	81,340	84,252
Natural gas			278,325	355,850	278,325	355,850
Mobile home park			234,727	247,907	234,727	247,907
Solid waste			516,587	445,115	516,587	445,115
Total expenses	3,508,773	3,497,696	7,431,796	8,217,269	10,940,569	11,714,965
Increase (decrease) in net assets before transfers	(1,087,598)	(793,121)	933,456	611,360	(154,142)	(181,761)
Transfers	674,308	765,013	(674,308)	(765,013)		
Increase (decrease) in net assets	(413,290)	(28,108)	259,148	(153,653)	(154,142)	(181,761)
Net assets - October 1	6,396,909	6,425,017	10,190,236	10,343,889	16,587,145	16,768,906
Net assets - September 30	\$5,983,619	\$6,396,909	\$10,449,384	\$10,190,236	\$16,433,003	\$16,587,145

* 2010 restated as discussed in Note 15 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF FORT MEADE, FLORIDA
(Continued)

Governmental Activities

Governmental activities decreased the City's net assets by \$413,290 (after transfers), as compared to a decrease of \$28,108 for the prior year. The decrease over the prior year is due to a reduction in revenues of 10%.

Business-type Activities

Business-type activities increased the City's net assets by \$259,148 (after transfers and the restatement), as compared to a decrease of \$153,653 (restated) for the previous year.

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and its ability to withstand financial emergencies that may occur in the future.

At the end of the fiscal year, the City's governmental fund (the general fund) reported combined ending fund balance of \$1,196,853, of which \$984,520 represented *unassigned fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. This compares to \$1,575,012 and \$1,352,949 respectively, for the prior year.

In terms of the general fund's liquidity, unassigned fund balance represents 27% of the total general fund expenditures at the end of the current year as compared to 35% for the previous year.

Total governmental revenue, other sources and transfers in were down 12% over the prior year and expenditures were down 5%. Net transfers into the general fund were down (12%) as compared to the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
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 46 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 \$134,501 under budget and expenditures came in \$28,921 under budget. The variance by line item is shown on page 46.

There were no budget amendments so there was no difference between the original budget and the final budget.

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 (net of accumulated depreciation) for both its governmental and business-type activities as of September 30, 2011, amounts to \$17,625,337 compared to \$18,090,140 as of the end of the previous year which is a net decrease of \$464,803 inclusive of depreciation of \$898,825. Depreciation for the previous year was \$901,612. This investment in capital assets includes land, construction in progress, buildings, improvements, infrastructure, utility systems, and equipment. Capital asset additions for the governmental activities totaled \$93,854 and depreciation expense was \$321,845 compared to depreciation of \$328,455 for the previous year. Capital asset additions for the business-type activities totaled \$340,353 and depreciation was \$576,980 compared to depreciation of \$573,124 for the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
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	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$846,198	\$846,198	\$345,838	\$345,838	\$1,192,036	\$1,192,036
Construction in progress						
Buildings and improvements	2,124,896	2,098,049	19,775,193	19,512,390	21,900,089	21,610,439
Vehicles and equipment	1,625,522	1,617,386	1,175,024	1,200,709	2,800,546	2,818,095
Road network	9,045,063	9,045,063			9,045,063	9,045,063
Less: Accumulated depreciation	(8,656,749)	(8,393,590)	(8,655,648)	(8,181,903)	(17,312,397)	(16,575,493)
Net	\$4,984,930	\$5,213,106	\$12,640,407	\$12,877,034	\$17,625,337	\$18,090,140

Additional information on the City's capital assets can be found in Note 5 beginning on page 27 of this report.

Outstanding Debt

At the end of the year, the City had total outstanding debt of \$5,674,774 (excluding accrued compensated absences and deferred losses on refunding) compared to \$6,451,908 at the previous year end, a decrease of \$777,134. For 2010 the City's debt decreased \$767,193 over the 2009 amount. The decreases are the result of regular principal payments and no new borrowings. The following is a summary of the outstanding debt:

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

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue notes		\$120,000	\$5,522,686	\$6,102,860	\$5,522,686	\$6,222,860
Notes and leases payable	133,012	191,283	19,076	37,765	152,088	229,048
Total	\$133,012	\$311,283	\$5,541,762	\$6,140,625	\$5,674,774	\$6,451,908

Additional information on the City's debt can be found in Note 6 beginning on page 29 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF FORT MEADE, FLORIDA

Economic Factors and Next Year's Budget and Rates

The City of Fort Meade is a rural community located in Central Florida's Bone Valley, in the southwest corner of Polk County. The economic foundation of this community has long been based on phosphate, citrus, ranching and farming. The rural character of this region and the perceived inability of reclaimed mined property to support residential, commercial and industrial growth have deterred potential developers in the past.

However, changing environmental policies, along with the shift to sustainability, has increased the economic viability of this region to attract and support development. The electrical power industry's push to "green energy" by using renewable fuel sources such as solar and biomass systems have sparked a great deal of interest within our region. Our abundance of reclaimed property presents viable locations for these facilities to catch the sun or produce feed stock to fuel their boilers. Combined with our region's access to the state's power grid, the development for solar farms and biomass power operations present a unique opportunity for growth within our community.

The City is currently working with US Ecogen to site a biomass power plant within the corporate limits. With this 240 million dollar private investment, the City will be working to secure assistance to extend roads, water and sewer service to their operation. This extension of services is planned to serve the property along the northern US 17 corridor to facilitate additional industrial and commercial development.

With the potential new growth in the community's tax base, it is easy to assume that the community's financial and utilities worries would be eliminated. However, the City is still faced with aging infrastructure within the core of the community which is in need of repair and replacement. These concerns are not insurmountable, but they will require a well-planned approach and financing to accomplish them and without a healthy infrastructure to encourage and support development, it will not occur. The budget goals for the Fiscal Year 2011-12 that have been established to achieve this objective are as follows:

- Complete a market study, and prepare a preliminary engineering report regarding the feasibility of the Peace River Park RV development as a self-sustaining operation.
- Electric System – Prepare a preliminary engineering report on the potential system improvements needed to increase the system's efficiency and reduce the operation's line loss.
- Water system – The meter change out operation is of the utmost importance to insure accurate reads and proper billing for this service. The existing change out operation will continue, and a testing program will be implemented to check the accuracy of the old meters. In addition, the city will secure the services of a professional engineering firm to evaluate the City's water rates to support the needed system improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF FORT MEADE, FLORIDA

Economic Factors and Next Year's Budget and Rates (cont...)

- Sewer system – As a function of the water system, this operation has suffered because of the lack of maintenance and testing of the water meters. With the addition of the new meters and a testing program for the existing services, a slight improvement in revenue may be anticipated. As part of the water rates study, the City will engage an engineer to review and evaluate a new rate structure that may be employed to repair the system. To better identify the areas of the system that are in need of repair, the City will be purchasing a sewer camera. This will be used to identify deficiencies in the pipe and in areas of inflow infiltration of storm and ground water which are eating system capacity and may be economical to remove than to replace with the treatment facilities expansion.

INDEPENDENT AUDITORS' REPORT

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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, 2011, 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, 2011, 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 1, 2012, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents (collectively, the "required supplementary information") be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Purvis, Gray and Company, LLP

February 1, 2012
Sarasota, Florida

FINANCIAL STATEMENTS

CITY OF FORT MEADE, FLORIDA
STATEMENT OF NET ASSETS
As of September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 746,911	\$ 1,494,519	\$ 2,241,430
Receivables, current:			
Customer accounts, net	36,875	677,155	714,030
Intergovernmental	123,689		123,689
Franchise and service taxes	10,229		10,229
Inventories	1,806		1,806
Investments		343,278	343,278
Inter fund balances, net	395,158	(395,158)	
Restricted assets:			
Equity in pooled cash and cash equivalents	26,549	2,108,680	2,135,229
Capital assets:			
Non-depreciable	846,198	345,838	1,192,036
Depreciable, net	4,138,732	12,294,569	16,433,301
Unamortized bond issue costs		76,247	76,247
TOTAL ASSETS	6,326,147	16,945,128	23,271,275
LIABILITIES			
Accounts payable	70,847	497,966	568,813
Accrued wages and benefits	68,760	24,686	93,446
Unearned revenue		1,632	1,632
Accrued interest payable	1,917	30,805	32,722
Due to other governments	4,757		4,757
Customer deposits		378,183	378,183
Long-term obligations:			
Due within one year	31,011	594,793	625,804
Due in more than one year	165,236	4,967,679	5,132,915
TOTAL LIABILITIES	342,528	6,495,744	6,838,272
NET ASSETS			
Invested in capital assets, net of related debt	4,851,918	7,315,599	12,167,517
Restricted for:			
Law enforcement purposes	26,549		26,549
Debt service		951,555	951,555
Water and sewer systems improvements		207,054	207,054
Unrestricted	1,105,152	1,975,176	3,080,328
TOTAL NET ASSETS	\$ 5,983,619	\$ 10,449,384	\$ 16,433,003

See Accompanying Notes to Financial Statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2011

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	\$ 787,811	\$	\$ 127,378	\$ 4,600	\$	\$ (655,833)	\$	\$ (655,833)
Law enforcement	1,165,840		205,114		10,024	(950,702)		(950,702)
Fire control	252,972			67,799		(185,173)		(185,173)
Building inspections	103,188		36,680			(66,508)		(66,508)
Roads and streets	433,111			11,811		(421,300)		(421,300)
Library	214,317		3,895	36,675		(173,747)		(173,747)
Recreation	178,073		7,744			(170,329)		(170,329)
Parks	360,256		2,991			(357,265)		(357,265)
Interest on long-term debt	13,205					(13,205)		(13,205)
Total governmental activities	3,508,773		383,802	120,885	10,024	(2,994,062)		(2,994,062)
Business-type activities:								
Electric	4,978,627		5,663,868				685,241	685,241
Water and sewer	1,342,190		1,162,479		200,000		20,289	20,289
Stormwater	81,340		123,763				42,423	42,423
Natural gas	278,325		267,001				(11,324)	(11,324)
Mobile home park	234,727		349,412				114,685	114,685
Solid waste	516,587		525,746				9,159	9,159
Total business-type activities	7,431,796		8,092,269		200,000		860,473	860,473
TOTAL PRIMARY GOVERNMENT	\$ 10,940,569	\$	\$ 8,476,071	\$ 120,885	\$ 210,024	(2,994,062)	860,473	(2,133,589)
GENERAL REVENUES:								
Taxes:								
Property taxes levied for general purposes						333,727		333,727
Public service taxes and franchise fees						682,663		682,663
Fuel taxes levied for transportation purposes						311,999		311,999
State shared revenue						542,935		542,935
Investment earnings						4,122	1,975	6,097
Miscellaneous						31,018	71,008	102,026
Transfers						674,308	(674,308)	
Total general revenues, special items, and transfers						2,580,772	(601,325)	1,979,447
Change in net assets						(413,290)	259,148	(154,142)
NET ASSETS - beginning of year as originally reported						6,396,909	10,799,263	17,196,172
Restatement							(609,027)	(609,027)
NET ASSETS - end of year						\$ 5,983,619	\$ 10,449,384	\$ 16,433,003

See Accompanying Notes to Financial Statements

CITY OF FORT MEADE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
As of September 30, 2011

	<u>General Fund</u>
ASSETS	
Equity in pooled cash and cash equivalents	\$ 746,911
Receivables, net	
Customer accounts, net	36,875
Intergovernmental	123,689
Franchise and public service taxes	10,229
Inventory	1,806
Due from other funds	211,180
Advances from other funds	183,978
Restricted assets:	
Cash and cash equivalents	<u>26,549</u>
TOTAL ASSETS	<u>\$ 1,341,217</u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 70,847
Accrued wages and benefits	68,760
Due to other governments	<u>4,757</u>
TOTAL LIABILITIES	<u>144,364</u>
Fund balance:	
Non-spendable:	
Inter-fund advances	183,977
Inventory	1,807
Restricted:	
Law enforcement trust fund	26,549
Unassigned	<u>984,520</u>
TOTAL FUND BALANCE	<u>1,196,853</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,341,217</u>

See Accompanying Notes to Financial Statements

CITY OF FORT MEADE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
As of September 30, 2011

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,196,853

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. 4,984,930

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 (196,247)

This is the amount of accrued interest payable (1,917)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 5,983,619

CITY OF FORT MEADE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the year ended September 30, 2011

	General Fund
REVENUES:	
Taxes	\$ 1,328,389
Licenses and permits	53,286
Intergovernmental revenue	672,197
Charges for services	205,341
Fines and forfeitures	103,002
Interfund service charges	213,675
Other	59,145
Total revenues	<u>2,635,035</u>
EXPENDITURES:	
General government	998,048
Public safety	1,490,725
Transportation	245,697
Culture/recreation	759,539
Debt service	193,493
Total expenditures	<u>3,687,502</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,052,467)</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	674,308
Total other financing sources	<u>674,308</u>
NET CHANGE IN FUND BALANCE	(378,159)
FUND BALANCE, beginning of year	<u>1,575,012</u>
FUND BALANCE, end of year	<u>\$ 1,196,853</u>

See Accompanying Notes to Financial Statements

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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (378,159)

**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 acquired in the current period	93,854
This is the amount of depreciation recorded in the current period	(321,845)
This is the book value of dispositions recorded in the current period	(185)

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 long-term debt repayments	178,271
This amount represents the change in accrued interest payable	2,018
This amount represents the change in compensated absence liability	<u>12,756</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (413,290)

CITY OF FORT MEADE, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
As of September, 2011

	Business Type Activities - Enterprise Funds				Total
	Electric Fund	Water & Sewer Fund	Stormwater Utility	Non-Major Funds	
ASSETS					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,002,809	\$ 70,755	\$ 208,342	\$ 212,613	\$ 1,494,519
Receivables, net					
Customers	412,227	157,043	18,052	89,833	677,155
Others					
Prepaid expenses					
Inventory	286,617	40,879		15,782	343,278
Total current assets	<u>1,701,653</u>	<u>268,677</u>	<u>226,394</u>	<u>318,228</u>	<u>2,514,952</u>
Noncurrent assets:					
Restricted assets:					
Equity in pooled cash and cash equivalents	1,353,095	487,531	206,677	61,377	2,108,680
Capital assets, net					
Non-depreciable		334,974		10,864	345,838
Depreciable	3,390,265	7,915,095	570,479	418,730	12,294,569
Unamortized bond issue costs	15,572	55,770	2,140	2,765	76,247
Total noncurrent assets	<u>4,758,932</u>	<u>8,793,370</u>	<u>779,296</u>	<u>493,736</u>	<u>14,825,334</u>
TOTAL ASSETS	<u>6,460,585</u>	<u>9,062,047</u>	<u>1,005,690</u>	<u>811,964</u>	<u>17,340,286</u>
LIABILITIES					
Current liabilities:					
Accounts payable	368,160	31,993	1,890	95,923	497,966
Accrued wages and benefits	10,980	9,486		4,220	24,686
Unearned revenues				1,632	1,632
Due to other funds	208,680			2,500	211,180
Bonds and notes payable, current portion	387,208	72,585	100,000	35,000	594,793
Total current liabilities	<u>975,028</u>	<u>114,064</u>	<u>101,890</u>	<u>139,275</u>	<u>1,330,257</u>
Noncurrent liabilities:					
Advances from other funds		166,316		17,662	183,978
Compensated absences	27,551	13,477		11,550	52,578
Payable from restricted assets:					
Accrued interest payable	4,250	16,669	6,172	3,714	30,805
Customer deposits	232,001	103,102		43,080	378,183
Bonds and notes payable, noncurrent portion		4,575,101	215,000	125,000	4,915,101
Total noncurrent liabilities	<u>263,802</u>	<u>4,874,665</u>	<u>221,172</u>	<u>201,006</u>	<u>5,560,645</u>
TOTAL LIABILITIES	<u>1,238,830</u>	<u>4,988,729</u>	<u>323,062</u>	<u>340,281</u>	<u>6,890,902</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,018,629	3,658,153	366,458	272,359	7,315,599
Restricted for:					
Utility system improvements (expendable)		207,054			207,054
Debt service	684,599	160,706	91,667	14,583	951,555
Unrestricted	1,518,527	47,405	224,503	184,741	1,975,176
TOTAL NET ASSETS	<u>\$ 5,221,755</u>	<u>\$ 4,073,318</u>	<u>\$ 682,628</u>	<u>\$ 471,683</u>	<u>\$ 10,449,384</u>

See Accompanying Notes to Financial Statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the year ended September 30, 2011

	Business Type Activities - Enterprise Funds				Total
	Electric Fund	Water & Sewer Fund	Stormwater Utility	Non-Major Funds	
OPERATING REVENUES:					
Charges for services	\$ 5,663,868	\$ 1,162,479	\$ 123,763	\$ 1,142,159	\$ 8,092,269
Total operating income	<u>5,663,868</u>	<u>1,162,479</u>	<u>123,763</u>	<u>1,142,159</u>	<u>8,092,269</u>
OPERATING EXPENSES:					
Personal services	332,893	309,655		141,013	783,561
Purchases for resale	3,946,477			89,271	4,035,748
Operating expenses	457,276	506,416	18,898	762,286	1,744,876
Depreciation	182,882	322,209	45,703	26,185	576,979
Total operating expenses	<u>4,919,528</u>	<u>1,138,280</u>	<u>64,601</u>	<u>1,018,755</u>	<u>7,141,164</u>
OPERATING INCOME	<u>744,340</u>	<u>24,199</u>	<u>59,162</u>	<u>123,404</u>	<u>951,105</u>
NONOPERATING REVENUE (EXPENSE):					
Interest revenue	1,520	211	175	69	1,975
Interest and other debt service costs	(59,099)	(203,910)	(16,739)	(10,884)	(290,632)
Other, net	44,479	24,869		1,660	71,008
Total nonoperating revenues (expenses)	<u>(13,100)</u>	<u>(178,830)</u>	<u>(16,564)</u>	<u>(9,155)</u>	<u>(217,649)</u>
Income (loss) before contributions and transfers	731,240	(154,631)	42,598	114,249	733,456
CAPITAL CONTRIBUTIONS					
Capital grants and contributions		200,000			200,000
TRANSFERS IN (OUT)	<u>(567,240)</u>			<u>(107,068)</u>	<u>(674,308)</u>
Change in net assets	164,000	45,369	42,598	7,181	259,148
Close internal service fund to general fund					
TOTAL NET ASSETS - beginning of year as originally reported	5,666,782	4,027,949	640,030	464,502	10,799,263
Restatement	<u>(609,027)</u>				<u>(609,027)</u>
TOTAL NET ASSETS - end of year	<u>\$ 5,221,755</u>	<u>\$ 4,073,318</u>	<u>\$ 682,628</u>	<u>\$ 471,683</u>	<u>\$ 10,449,384</u>

See Accompanying Notes to Financial Statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended September 30, 2011

	Business Type Activities - Enterprise Funds				
	Electric Fund	Water & Sewer Fund	Stormwater Utility	Non-Major Funds	Enterprise Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 4,960,113	\$ 1,161,999	\$ 123,315	\$ 1,159,505	\$ 7,404,932
Payments to suppliers	(3,739,188)	(500,385)	(17,008)	(777,354)	(5,033,935)
Payments for salaries and benefits	(320,374)	(300,946)		(143,919)	(765,239)
Net cash flows from operating activities	<u>900,551</u>	<u>360,668</u>	<u>106,307</u>	<u>238,232</u>	<u>1,605,758</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Increase (decrease) in customer deposits	7,627	5,980		(1,663)	11,944
Increase (decrease) in due to other funds					
Other nonoperating income (loss)	44,479	24,869		1,660	71,008
Transfers (to) from other funds	(591,377)			(107,068)	(698,445)
Net cash flows from noncapital financing activities	<u>(539,271)</u>	<u>30,849</u>		<u>(107,071)</u>	<u>(615,493)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets, net of related payables	(121,421)	(217,731)		(1,201)	(340,353)
Principal paid on notes, bonds and lease obligations	(398,689)	(70,175)	(95,000)	(35,000)	(598,864)
Interest paid on borrowings	(27,509)	(202,308)	(16,888)	(10,775)	(257,480)
Capital contributions and impact fees received, net of receivables		200,000			200,000
Net cash flows from capital and related financing activities	<u>(547,619)</u>	<u>(290,214)</u>	<u>(111,888)</u>	<u>(46,976)</u>	<u>(996,697)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales(purchases of) investments					
Interest on invested funds	1,520	211	175	69	1,975
Net cash flows from investing activities	<u>1,520</u>	<u>211</u>	<u>175</u>	<u>69</u>	<u>1,975</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(184,819)	101,514	(5,406)	84,254	(4,457)
CASH AND CASH EQUIVALENTS, beginning of year					
	2,540,723	457,031	420,425	189,736	3,607,915
CASH AND CASH EQUIVALENTS, end of year					
	<u>\$ 2,355,904</u>	<u>\$ 558,545</u>	<u>\$ 415,019</u>	<u>\$ 273,990</u>	<u>\$ 3,603,458</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income / (loss)	\$ 744,340	\$ 24,199	\$ 59,162	\$ 123,404	\$ 951,105
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	182,882	322,209	45,703	26,185	576,979
(Increase) decrease in inventory	(5,384)	(3,221)		1,271	(7,334)
(Increase) decrease in accounts receivable	(703,755)	(480)	(448)	17,875	(686,808)
Increase (decrease) in due from others	660,026				660,026
Increase (decrease) in accounts payable	8,048	5,502	1,890	69,183	84,623
Increase (decrease) in accrued wages/comp absences	12,519	8,709		(2,906)	18,322
(Increase) decrease in due from (to) other funds					
Other, net	1,875	3,750		3,220	8,845
Net cash flows from operating activities	<u>\$ 900,551</u>	<u>\$ 360,668</u>	<u>\$ 106,307</u>	<u>\$ 238,232</u>	<u>\$ 1,605,758</u>
Noncash financing and investing activities -					
Refund to customers by reducing accounts receivable	\$ 609,027	\$ None	None	\$ None	\$ 609,027

See Accompanying Notes to Financial Statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUND
As of September 30, 2011

	Pension Trust Funds
ASSETS	
Receivables:	
Accrued interest and dividends	\$ 20,016
Contributions receivable	75,691
Total receivables	<u>95,707</u>
Investments, at fair market value:	
Short-term money market funds	279,126
Fixed income securities	1,845,958
Equity securities	<u>2,266,914</u>
Total investments	<u>4,391,998</u>
Total assets	<u>4,487,705</u>
LIABILITIES	
Accounts payable	<u>7,903</u>
Total liabilities	<u>7,903</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 4,479,802</u>

See Accompanying Notes to Financial Statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUNDS
For the year ended September 30, 2011

	Pension Trust Funds
ADDITIONS	
Contributions:	
City	\$ 199,474
Total contributions	<u>199,474</u>
Investment income (loss)	
Interest and dividends	130,805
Realized and unrealized gains (losses)	<u>(182,681)</u>
Investment income (loss):	<u>(51,876)</u>
Less investment expenses:	
Investment fees	<u>30,977</u>
Total investment expenses	<u>30,977</u>
Net investment income (loss)	<u>(82,853)</u>
Total additions	<u>116,621</u>
DEDUCTIONS	
Administrative expenses:	
Actuarial	10,072
Legal	5,630
Custodial fees	<u>5,351</u>
Total administrative expenses	21,053
Benefits and termination payments	<u>300,191</u>
Total deductions	<u>321,244</u>
NET INCREASE	(204,623)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Balance, beginning of year	<u>4,684,425</u>
Balance, end of year	<u>\$ 4,479,802</u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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, 2011

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont...)

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.

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, 2011

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, 2011

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:

- **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.

The City charges user departments in enterprise funds for certain indirect services provided by general fund departments. The total charges of \$213,675 have been eliminated in the governmental columns of the statement of activities.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments

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

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 \$45,518 as of September 30, 2011. 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 general, 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 \$400,005 as of September 30, 2011.

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, 2011

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, 2011, balances of interfund receivables and payables expected to be liquidated within one year have been recorded as due from and due to other funds. Interfund receivables not expected to be repaid within one year are recorded as advances. 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 priced at a moving average cost not in excess of market and consist primarily of repair and replacement parts for the utility systems, and other supplies and materials held for future use by the City.

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, 2011.

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, 2011

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 Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has inventories, prepaid items and noncurrent receivables (including interfund advances) as being non spendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified forfeitures as being restricted because their use is restricted by State Statute for law enforcement expenditures.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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

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

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2011.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

The details of the fund balances are included in the governmental fund balance sheet. The City uses Restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Net Assets - 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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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 2011 fiscal year was 3.35 mills.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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.

The following departments reported expenditures in excess of budgeted appropriations for 2011:

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Department:				
Finance	\$ 468,583	\$ 468,583	\$ 515,422	\$ (46,839)
Other general government	\$ 183,098	\$ 183,098	\$ 204,907	\$ (21,809)
Police	\$ 1,141,480	\$ 1,141,480	\$ 1,179,671	\$ (38,191)
Fire	\$ 221,345	\$ 221,345	\$ 272,411	\$ (51,066)
Library	\$ 204,512	\$ 204,512	\$ 223,462	\$ (18,950)

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

NOTE 4 - CASH AND INVESTMENTS

At September 30, 2011, 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	\$ 1,095
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	3,342,456
Uncategorized deposits:	
Government money market account	<u>1,033,108</u>
Total equity in pooled cash and cash equivalents	<u>\$ 4,376,659</u>
Investments securities:	
None	<u>\$ na</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, 2011

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. Other than the broad criteria contained in the investment policies, the City does not have any additional policies for dealing with interest rate, custodial or concentration risks.

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%	AAAm
Florida Local Government Surplus Funds Trust Fund	50.00%	1 day	25.00%	AAAm
Money market mutual funds (registered investment companies)	50.00%	1 day	25.00%	AAAm
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 liquidity 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, 2011

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 U. S. Government money market	NR	\$ 1,033,108	\$ 1,033,108	\$	\$	\$
	NR	\$ 1,033,108	\$ 1,033,108	\$	\$	\$
GENERAL EMPLOYEES PENSION PLAN						
Short-term money market	NR	\$ 243,796	\$ 243,796	\$	\$	\$
U. S. Government notes and bonds	AA+	\$ 216,620	\$	\$ 55,821	\$ 34,657	\$ 126,142
U. S. Government Agency notes	AA+	94,847	25,666	61,749		7,432
Corporate bonds	AAA to AA-	662,335		243,093	301,729	117,513
Government asset backed securities	AA+	285,623			111,466	174,157
		\$ 1,259,425	\$ 25,666	\$ 360,663	\$ 447,852	\$ 425,244
POLICE OFFICERS' PENSION PLAN						
Short-term money market	NR	\$ 11,017	\$ 11,017	\$	\$	\$
U. S. Government notes and bonds	AA+	\$ 70,944	\$	\$ 8,119	\$ 13,863	\$ 48,962
U. S. Government Agency notes	AA+	33,608		33,608		
Corporate bonds	AAA to BBB	261,889		107,969	113,047	40,873
Government asset backed securities	AA+	105,470			53,210	52,260
		\$ 471,911	\$ -	\$ 149,696	\$ 180,120	\$ 142,095
FIRE FIGHTERS' PENSION PLAN						
Short-term money market	NR	\$ 24,313	\$ 24,313	\$	\$	\$
U. S. Government notes and bonds	AA+	\$ 14,993	\$	\$ 2,030	\$ 2,310	\$ 10,653
U. S. Government Agency notes	AA+	14,232		14,232		
Corporate bonds	AAA to AA-	57,235		22,799	19,233	15,203
Government asset backed securities	AA+	28,162			13,030	15,132
		\$ 114,622	\$ -	\$ 39,061	\$ 34,573	\$ 40,988

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance October 1, 2010	Transfers	Additions	Deletions	Balance September 30, 2011
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 846,198	\$	\$	\$	\$ 846,198
Total	<u>\$ 846,198</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 846,198</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,098,049	\$	\$ 26,847	\$	\$ 2,124,896
Equipment	1,617,386	10,396	67,007	(69,267)	1,625,522
Infrastructure:					
Road network	9,045,063				9,045,063
Total	<u>12,760,498</u>	<u>10,396</u>	<u>93,854</u>	<u>(69,267)</u>	<u>12,795,481</u>
Total all capital assets	<u>13,606,696</u>	<u>10,396</u>	<u>93,854</u>	<u>(69,267)</u>	<u>13,641,679</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,104,770)		(50,984)		(1,155,754)
Equipment	(1,083,250)	(10,396)	(80,495)	69,082	(1,105,059)
Infrastructure:					
Road network	(6,205,570)		(190,366)		(6,395,936)
Total accumulated depreciation	<u>(8,393,590)</u>	<u>(10,396)</u>	<u>(321,845)</u>	<u>69,082</u>	<u>(8,656,749)</u>
Depreciable capital assets, net	<u>4,366,908</u>		<u>(227,991)</u>	<u>(185)</u>	<u>4,138,732</u>
Governmental activities capital assets, net	<u>\$ 5,213,106</u>	<u>\$</u>	<u>\$ (227,991)</u>	<u>\$ (185)</u>	<u>\$ 4,984,930</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 345,838	\$	\$	\$	\$ 345,838
Construction in process					
Total	<u>\$ 345,838</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 345,838</u>
Capital assets being depreciated:					
Buildings, utility plant and improvements	\$ 19,512,390	\$	\$ 262,803	\$	\$ 19,775,193
Equipment	1,200,709	(10,396)	77,550	(92,839)	1,175,024
Total	<u>20,713,099</u>	<u>(10,396)</u>	<u>340,353</u>	<u>(92,839)</u>	<u>20,950,217</u>
Total all capital assets	<u>21,058,937</u>	<u>(10,396)</u>	<u>340,353</u>	<u>(92,839)</u>	<u>21,296,055</u>
Less accumulated depreciation	(8,181,903)	10,396	(576,980)	92,839	(8,655,648)
Depreciable capital assets, net	<u>12,531,196</u>		<u>(236,627)</u>		<u>12,294,569</u>
Business-type activities capital assets, net	<u>\$ 12,877,034</u>	<u>\$</u>	<u>\$ (236,627)</u>	<u>\$</u>	<u>\$ 12,640,407</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

NOTE 5 - CAPITAL ASSETS (cont...)

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

Governmental Activities:

General government	\$ 32,147
Law enforcement	3,819
Fire control	44,130
Building inspections	790
Roads and streets	190,366
Library	3,061
Recreation	11,205
Parks	<u>36,327</u>
Total depreciation expense - governmental activities	<u>\$ 321,845</u>

Business-type Activities:

Electric	\$ 182,882
Water and sewer	322,209
Stormwater	45,703
Natural gas	10,584
Mobile home park	<u>15,601</u>
Total depreciation expense - business-type activities	<u>\$ 576,979</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

NOTE 6 - LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2011:

	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011	Amounts Due within One Year
<u>Governmental Activities</u>					
Long-term debt:					
5th Cent Local Option Fuel Tax					
Revenue Notes, Series 2001	\$ 120,000	\$	\$ (120,000)	\$	\$
Installment notes and leases payable	191,283		(58,271)	133,012	31,011
Total long-term debt	311,283		(178,271)	133,012	31,011
Other liabilities:					
Compensated absences	75,991		(12,756)	63,235	
Total other liabilities	75,991		(12,756)	63,235	
Total long-term obligations	<u>\$ 387,274</u>	<u>\$</u>	<u>\$ (191,027)</u>	196,247	<u>\$ 31,011</u>
Less amount due in one year				(31,011)	
Total non-current obligations due in more than one year				<u>\$ 165,236</u>	
<u>Business-type Activities</u>					
Long-term debt:					
Revenue bonds and certificates					
Electric System Series 1999	\$ 780,000	\$	\$ (380,000)	\$ 400,000	\$ 400,000
Water and Sewer, Series 1982	151,973		(13,816)	138,157	13,816
Water and Sewer, Series 2005A	2,656,217		(34,317)	2,621,900	35,775
Water and Sewer, Series 2005B	724,161		(9,356)	714,805	9,753
Stormwater Revenue, Series 1998	410,000		(95,000)	315,000	100,000
Mobile Home Park Revenue, Series 2000	195,000		(35,000)	160,000	35,000
Water and Sewer, Series 2009	1,185,509		(12,685)	1,172,824	13,241
Installment notes and leases payable	37,765		(18,689)	19,076	19,076
Less premiums (discounts), net	(55,768)		23,900	(31,868)	(31,868)
Total long-term debt	6,084,857		(574,963)	5,509,894	594,793
Other liabilities:					
Compensated absences	53,173		(595)	52,578	
Total other liabilities	53,173		(595)	52,578	
Total long-term obligations	<u>\$ 6,138,030</u>	<u>\$</u>	<u>\$ (575,558)</u>	5,562,472	<u>\$ 594,793</u>
Less amount due in one year				(594,793)	
Total non-current obligations due in more than one year				<u>\$ 4,967,679</u>	

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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

Bonds and notes outstanding at September 30, 2011, 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					
Fire truck lease	1	2015	4.670%	217,982	<u>133,012</u>
Total governmental activities					<u>\$ 133,012</u>
<u>Business-type Activities</u>					
Long-term debt:					
Revenue bonds and certificates:					
Electric System Series 1999	2	2012	4.140%	\$ 3,755,000	\$ 400,000
Water and Sewer, Series 1982	3	2021	5.000%	193,421	138,157
Water and Sewer, Series 2005A	4	2045	4.250%	2,751,000	2,621,900
Water and Sewer, Series 2005B	5	2045	4.250%	750,000	714,805
Water System, Series 2009	6	2045	4.375%	1,209,309	1,172,824
Stormwater Revenue, Series 1998	7	2013	4.600%	1,200,000	315,000
Mobile Home Park Revenue, Series 2000	8	2015	5.450%	4,400,000	160,000
Installment notes and leases payable:					
Bucket truck lease	9	2012	5.860%	124,910	<u>19,076</u>
Total business-type activities					<u>\$ 5,541,762</u>

Purpose:

- 1 Purchase Kubota tractor secured by the equipment
- 2 Electric system improvements secured by electric system revenues
- 3 Water and sewer system improvements secured by water & sewer systems revenues
- 4 Wastewater treatment system improvements secured by water & sewer systems revenues
- 5 Wastewater treatment system improvements secured by water & sewer systems revenues
- 6 Construction loan for water system improvements secured by water system revenues
- 7 Drainage improvements secured by stormwater revenues
- 8 Mobile home park community center secured by mobile home park revenues
- 9 2006 International bucket truck secured by the equipment

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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
Electric system net revenues	01/01/2012	\$ 408,500	\$ 404,980	\$ 711,433	175.67%
Water and sewer revenues	09/01/2048	\$ 8,931,341	\$ 273,307	\$ 371,488	135.92%
Stormwater revenues	11/01/2013	\$ 337,564	\$ 111,925	\$ 105,040	93.85%
Mobile home park revenues	05/01/2015	\$ 182,956	\$ 45,775	\$ 127,755	279.09%

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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

Annual debt service requirements as of September 30, 2011, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 31,011	\$ 6,216	\$ 626,661	\$ 230,814
2013	32,460	4,767	220,101	211,331
2014	33,977	3,250	227,722	200,795
2015	35,564	1,661	125,456	192,573
2016			83,306	186,545
2017 - 2021			463,757	875,142
2022 - 2026			486,650	772,808
2027 - 2031			600,054	659,404
2032 - 2036			739,889	519,568
2037 - 2041			912,322	347,137
2042 - 2046			935,030	134,620
2047 - 2051			120,814	7,979
Unamortized bond premium (discount)			(31,868)	
Total	\$ 133,012	\$ 15,894	\$ 5,509,894	\$ 4,338,716

Interest paid in the governmental activities totaled \$13,205 for the year ended September 30, 2011. Interest and other debt service costs incurred in the business-type activities totaled \$290,632 for the same period, none of which was capitalized.

Bond Issuance Costs - Information concerning deferred bond issuance costs 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	\$15,572
Water & Sewer Fund	Series 2005A & B	46,650	1,166	39,652
Water & Sewer Fund	Series 2009	17,424	436	16,118
Stormwater Fund	Series 1998	23,972	1,712	2,140
Mobile Home Park Fund	Series 2000	12,906	922	2,765
Total		\$264,458	\$15,915	\$76,247

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

NOTE 7 - 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, 2011. 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 restricted fund balances and net assets, as of September 30, 2011:

	Restricted Net Assets
<u>Governmental Funds/Activities</u>	
Law enforcement	\$ 26,549
Total	\$ 26,549
<u>Enterprise Funds/Business-type Activities</u>	
Electric Fund:	
1999 sinking fund	\$ 300,000
1999 bond reserve	40,000
1999 renewal and replacement	344,599
Total	\$ 684,599
Water and Sewer Fund:	
1982 sinking fund	\$ 1,151
1982 bond reserve	20,724
2005A and 2005B sinking fund	3,794
2005A and 2005B reserve	112,403
2009 sinking fund	1,103
2009 bond reserve	21,531
Restricted for debt service	160,706
Water impact fees	78,432
Sewer impact fees	128,622
Restricted for utility system improvements	207,054
Total	\$ 528,466
Stormwater Fund:	
1998 sinking fund	\$ 91,667
Total	\$ 91,667
Mobile Home Park	
2000 sinking fund	\$ 14,583
Total	\$ 14,583

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

NOTE 8 - INTERFUND ACCOUNTS

The largest due from/to other funds represent primarily funds which have been advanced from general fund to cover the cost of inventory transferred from the general fund to the other funds this year. At September 30, 2011, the balance in due from/to other funds consisted of the following:

Receivable Fund	Payable Fund	Amount
Due to/from:		
General Fund	Electric Fund	\$ 208,680
General Fund	Solid waste fund	2,500
Total		211,180
Advances to/from:		
General Fund	Water and sewer fund	166,316
General Fund	Natural gas fund	17,662
Total		183,978
Total eliminated in government-wide statements		\$ 395,158

The transfers from the enterprise funds to the general fund are per budget, and supplement general fund revenues.

Receiving Fund	Paying Fund	Amount
General Fund	Electric Fund	\$ 567,240
General Fund	Mobile Home Park Fund	70,838
General Fund	Solid Waste Fund	36,230
General Fund	Natural Gas	-
Fund-level interfund transfers		674,308
Eliminated in combining activities		-
Combined government-wide total		\$ 674,308

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
 September 30, 2011

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, 2010		
	General Employees'	Police Officers' Fund	Firefighters' Fund
Retirees and beneficiaries			
currently receiving benefits	13	6	8
Terminated vested employees	13	8	6
Active Employees:			
Vested	22		10
Nonvested	21		10
Totals	69	14	34

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 62 (55 for police officers and firefighters) and completion of 30 years of service.
- 40 years of service regardless of age.
- Age 65 (60 for police officers and firefighters) and completion of 10 years service.
- Age 70 (65 for police officers and fire fighters)
- Age 60 with 35 years of service.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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, 2011

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, 2011

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, 2010, 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	10.63%	N/A	20.97%
Plan members	0.00%	0.00%	0.00%
Annual pension cost	\$162,888	\$21,803	\$14,783
Contributions made	\$162,888	\$21,803	\$14,783

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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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, 2010	October 1, 2010	October 1, 2010
Actuarial cost method	Frozen entry age	Unit Credit	Frozen entry age
Amortization method	Level dollar, closed	N/A	Level dollar, closed
Remaining amortization period	18 years	N/A	18 years
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Investment rate of return	7.5%	7.5%	7.5%
Project salary increases	3.0%	3.0%	3.0%

Three Year Trend Information - Annual pension cost and contribution amounts for the current and two preceding years is shown below. The net pension assets are not recorded in the entity-wide financial statements due to their insignificance.

Year Ended	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation (Asset)
	Employer	State	Total		
September 30					
General Employees' Plan					
2011	\$ 162,888	\$ -	\$ 162,888	100%	\$ (176)
2010	\$ 149,901	\$ -	\$ 149,901	101%	\$ (176)
2009	\$ 146,734	\$ -	\$ 146,734	100%	\$ -
Police Officers' Plan					
2011	\$ 21,803	\$ -	\$ 21,803	100%	\$ -
2010	\$ -	\$ -	\$ -	100%	\$ -
2009	\$ -	\$ -	\$ -	100%	\$ -
Firefighters' Plan					
2011	\$ 14,783	\$ -	\$ 14,783	100%	\$ (3,712)
2010	\$ 7,414	\$ -	\$ 7,414	100%	\$ (3,712)
2009	\$ 5,517	\$ -	\$ 5,517	157%	\$ (3,708)

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
 September 30, 2011

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) - Frozen Entry Age* (b)	Unfunded (Overfunded) AAL (b-a)	Funded Portion (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Employees' Plan						
10/01/2010	\$ 3,653,000	\$ 4,082,000	\$ 429,000	89.49%	\$ 1,219,000	35.19%
Police Officers' Plan						
10/01/2010	\$ 1,423,000	\$ 1,513,000	\$ 90,000	94.05%	\$ NA	NA
Firefighters' Plan						
10/01/2010	\$ 364,000	\$ 474,000	\$ 110,000	76.79%	\$ 107,000	102.80%

* Police Officer's' Plan uses the unit credit method

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 Plans have their actuarial valuations prepared on a biannual basis and the October 1, 2010 valuation is the most recent for purposes of presenting multi-year funding progress information.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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 water department of the water and sewer fund and the Mobile Home Park fund both of which have outstanding bonds secured by a pledge of their net revenues: The water operations are accounted for in a single enterprise fund along with sewer. Because many of the assets and liabilities of this enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivable, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net assets (labeled as NA). Accordingly, only the segment financial information that can be separately identified for the water operations is presented.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

NOTE 11 - SEGMENT INFORMATION (cont...)

	<u>Mobile Home Park</u>	<u>Water System</u>
CONDENSED STATEMENTS OF NET ASSETS		
ASSETS		
Current assets	\$ 21,071	\$ NA
Restricted assets	18,297	
Capital assets, net	327,896	
Other assets	2,765	
TOTAL ASSETS	370,029	
LIABILITIES		
Current liabilities	40,624	
Liabilities payable from restricted assets	3,714	
Noncurrent liabilities	125,000	
TOTAL LIABILITIES	169,338	
NET ASSETS		
Invested in capital assets, net of related debt	170,661	
Restricted	14,583	
Unrestricted	15,447	
TOTAL NET ASSETS	\$ 200,691	\$ NA
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS		
OPERATING REVENUES	\$ 349,412	\$ 529,804
OPERATING EXPENSES:		
Depreciation	15,601	75,547
Other	208,242	261,864
Total operating expenses	223,843	337,411
OPERATING INCOME	125,569	192,393
NONOPERATING REVENUE (EXPENSE)	(9,475)	(26,538)
TRANSFERS IN (OUT)	(70,838)	
Change in net assets	45,256	165,855
TOTAL NET ASSETS - beginning of year	155,435	NA
TOTAL NET ASSETS - end of year	\$ 200,691	\$ NA
CONDENSED STATEMENT OF CASH FLOWS		
CASH FLOWS FROM:		
Operating activities	\$ 128,045	\$ NA
Noncapital financing activities	(69,438)	
Capital and related financing activities	(46,976)	
Investing activities	9	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,640	
CASH AND CASH EQUIVALENTS, beginning of year	19,110	NA
CASH AND CASH EQUIVALENTS, end of year	\$ 30,750	\$ NA

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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 2011 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 - The City currently purchases the majority of its electric power for resale to its customers, under the terms of an all-requirements contract with the Florida Municipal Power Agency (FMPA). 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 seats on the FMPA Board. Under terms of the Contract which extends through 2030, the City has no equity interest in any of the assets of FMPA, but has signed as guarantor on certain liabilities.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

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

Power Contracts (cont...) - On July 14, 2009 the City of Fort Meade notified FMPA of its 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. As a participant in the Florida Municipal Power Agency's All Requirements Project, the City of Fort Meade has pledged its full faith and credit to secure its proportional share, approximately \$12.7 million (the buyout amount), of the System's outstanding debt estimated at approximately \$1.2 billion. The City has contested this calculation and believes that the "buy out" is significantly less than that claimed by FMPA.

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 \$1,110,937 for the year ended September 30, 2011:

<u>Year</u>	
2012	\$1,140,302

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS

Under GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions the basic premise is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the active employees provide their 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 assumed implicit cost to the City by virtue of the fact that the cost to the retiree is a blended rate which presumably would be less than the rate the retiree would have to pay if private coverage were arranged. The City currently does not have, nor has it ever had, any retirees who have elected coverage under the City's plan and the City believes it is unlikely that any retirees will ever elect to take the City's coverage. Because of this and the fact that the City's current health insurance rates have never been impacted by the cost of having to insure its retirees, management believes there are no additional costs to be recorded as a result of the state requirement and no liability for any future payments has been recorded. It is possible that conditions could change whereby the City may have some cost in the future which would be evaluated at that time.

NOTES TO FINANCIAL STATEMENTS
CITY OF FORT MEADE, FLORIDA
September 30, 2011

NOTE 15 - RESTATEMENT OF NET ASSETS

Business-type activities net assets (electric fund) have been restated to correct the prior year accounting for a refund that was due as of September 30, 2010, from the City's wholesale electric power supplier. It was anticipated at the time that the City would keep the refund so it was reported in income during the year ended September 30, 2010. Subsequent to the issuance of the prior year financial statements, management decided to refund the monies to the customers. The net assets restatement corrects the accounting for the refund to customers of \$609,027. Had this accounting been used in the prior year, business-type activities net assets as of September 30, 2010 would have been \$10,190,236 rather than the previously reported amount of \$10,799,263 and the change in net assets would have been (\$153,653) rather than the previously reported \$455,374.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND
For the year ended September 30, 2011

	<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	\$ 1,585,483	\$ 1,585,483	\$ 1,328,389	\$ (257,094)
Licenses and permits	40,650	40,650	53,286	12,636
Intergovernmental revenue	682,803	682,803	672,197	(10,606)
Charges for services	19,000	19,000	205,341	186,341
Fines and forfeitures	96,600	96,600	103,002	6,402
Inter-fund service charges	303,000	303,000	213,675	(89,325)
Interest and miscellaneous	42,000	42,000	59,145	17,145
Total revenues	<u>2,769,536</u>	<u>2,769,536</u>	<u>2,635,035</u>	<u>(134,501)</u>
EXPENDITURES:				
General government:				
Legislative	55,679	55,679	54,030	1,649
Executive	227,947	227,947	191,650	36,297
Finance	468,583	468,583	515,422	(46,839)
Legal	33,376	33,376	21,038	12,338
Planning	12,900	12,900	11,000	1,900
Other general government	183,098	183,098	204,907	(21,809)
Public safety:				
Police	1,141,480	1,141,480	1,179,671	(38,191)
Fire	221,345	221,345	272,411	(51,066)
Inspections	102,222	102,222	102,212	10
Transportation-streets	414,342	414,342	372,057	42,285
Culture/Recreation:				
Library	204,512	204,512	223,462	(18,950)
Recreation	198,591	198,591	180,213	18,378
Parks	394,506	394,506	359,429	35,077
Total expenditures	<u>3,658,581</u>	<u>3,658,581</u>	<u>3,687,502</u>	<u>(28,921)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(889,045)	(889,045)	(1,052,467)	(163,422)
OTHER FINANCING SOURCES (USES):				
Transfers in	889,045	889,045	674,308	(214,737)
Total other financing sources	<u>889,045</u>	<u>889,045</u>	<u>674,308</u>	<u>(214,737)</u>
NET CHANGE IN FUND BALANCE	<u>\$</u>	<u>\$</u>	<u>\$ (378,159)</u>	<u>\$ (378,159)</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) - Frozen Entry Age (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2010	\$ 3,653,000	\$ 4,082,000	\$ 429,000	89.49%	\$ 1,219,000	35.19%
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%

Police Officers' Retirement Trust Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit* (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2010	\$ 1,423,000	\$ 1,513,000	\$ 90,000	94.05%	\$ NA	NA
10/01/2008	\$ 1,627,000	\$ 1,369,000	\$ (258,000)	118.85%	\$ NA	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%

*Aggregate Method was used for the 10-1-07 and 10-1-08 valuations

Firefighters' Retirement Trust Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2010	\$ 364,000	\$ 474,000	\$ 110,000	76.79%	\$ 107,000	102.80%
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%

COMBINING FINANCIAL STATEMENTS

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF NET ASSETS - NON-MAJOR ENTERPRISE FUNDS
As of September 30, 2011

	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	\$ 39,873	\$ 12,453	\$ 160,287	\$ 212,613
Receivables, net				
Customers	27,094	8,618	54,121	89,833
Prepaid expenses				
Inventory	15,782			15,782
Total current assets	<u>82,749</u>	<u>21,071</u>	<u>214,408</u>	<u>318,228</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents	43,080	18,297		61,377
Capital assets, net				
Non-depreciable		10,864		10,864
Depreciable	101,698	317,032		418,730
Unamortized bond issue costs		2,765		2,765
Total noncurrent assets	<u>144,778</u>	<u>348,958</u>		<u>493,736</u>
TOTAL ASSETS	<u>227,527</u>	<u>370,029</u>	<u>214,408</u>	<u>811,964</u>
LIABILITIES				
Current liabilities:				
Accounts payable	9,065	2,544	84,314	95,923
Accrued wages and benefits	2,772	1,448		4,220
Deferred revenues		1,632		1,632
Due to other funds			2,500	2,500
Bonds and notes payable, current portion		35,000		35,000
Total current liabilities	<u>11,837</u>	<u>40,624</u>	<u>86,814</u>	<u>139,275</u>
Noncurrent liabilities:				
Advances from other funds	17,662			17,662
Compensated absences	11,550			11,550
Payable from restricted assets:				
Accrued interest payable		3,714		3,714
Customer deposits	43,080			43,080
Bonds and notes payable, noncurrent portion		125,000		125,000
Total noncurrent liabilities	<u>72,292</u>	<u>128,714</u>		<u>201,006</u>
TOTAL LIABILITIES	<u>84,129</u>	<u>169,338</u>	<u>86,814</u>	<u>340,281</u>
NET ASSETS				
Invested in capital assets, net of related debt	101,698	170,661		272,359
Restricted for:				
Debt service		14,583		14,583
Unrestricted	41,700	15,447	127,594	184,741
TOTAL NET ASSETS	<u>\$ 143,398</u>	<u>\$ 200,691</u>	<u>\$ 127,594</u>	<u>\$ 471,683</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, 2011

	Business Type Activities - Non-Major Funds			Total
	Natural Gas Utility	Mobile Home Park Fund	Solid Waste Fund	
OPERATING REVENUES:				
Charges for services	\$ 267,001	\$ 349,412	\$ 525,746	\$ 1,142,159
Total operating income	<u>267,001</u>	<u>349,412</u>	<u>525,746</u>	<u>1,142,159</u>
OPERATING EXPENSES:				
Personal services	86,734	54,279		141,013
Purchases for resale	89,271			89,271
Operating expenses	91,736	153,963	516,587	762,286
Depreciation	10,584	15,601		26,185
Total operating expenses	<u>278,325</u>	<u>223,843</u>	<u>516,587</u>	<u>1,018,755</u>
OPERATING INCOME	<u>(11,324)</u>	<u>125,569</u>	<u>9,159</u>	<u>123,404</u>
NONOPERATING REVENUE (EXPENSE):				
Interest revenue	14	9	46	69
Interest expense		(10,884)		(10,884)
Other, net	260	1,400		1,660
Total nonoperating revenues (expenses)	<u>274</u>	<u>(9,475)</u>	<u>46</u>	<u>(9,155)</u>
Income (loss) before contributions and transfers	(11,050)	116,094	9,205	114,249
TRANSFERS IN (OUT)		<u>(70,838)</u>	<u>(36,230)</u>	<u>(107,068)</u>
Change in net assets	(11,050)	45,256	(27,025)	7,181
TOTAL NET ASSETS - beginning of year	<u>154,448</u>	<u>155,435</u>	<u>154,619</u>	<u>464,502</u>
TOTAL NET ASSETS - end of year	<u>\$ 143,398</u>	<u>\$ 200,691</u>	<u>\$ 127,594</u>	<u>\$ 471,683</u>

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR ENTERPRISE FUNDS
For the year ended September 30, 2011

	Business Type Activities - Non-Major Funds			
	Natural Gas Utility	Mobile Home Park Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 269,963	\$ 342,913	\$ 546,629	\$ 1,159,505
Payments to suppliers	(179,100)	(155,680)	(442,574)	(777,354)
Payments for salaries and benefits	(84,731)	(59,188)		(143,919)
Net cash flows from operating activities	<u>6,132</u>	<u>128,045</u>	<u>104,055</u>	<u>238,232</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Increase (decrease) in customer deposits	(1,663)			(1,663)
Other nonoperating income/(loss)	260	1,400		1,660
Transfers (to) from other funds		(70,838)	(36,230)	(107,068)
Net cash flows from noncapital financing activities	<u>(1,403)</u>	<u>(69,438)</u>	<u>(36,230)</u>	<u>(107,071)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets, net of related payables		(1,201)		(1,201)
Principal paid on notes, bonds and lease obligations		(35,000)		(35,000)
Interest paid on borrowings		(10,775)		(10,775)
Net cash flows from capital and related financing activities	<u>-</u>	<u>(46,976)</u>	<u>-</u>	<u>(46,976)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from investments				-
Interest on invested funds and other	14	9	46	69
Net cash flows from investing activities	<u>14</u>	<u>9</u>	<u>46</u>	<u>69</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>4,743</u>	<u>11,640</u>	<u>67,871</u>	<u>84,254</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>78,210</u>	<u>19,110</u>	<u>92,416</u>	<u>189,736</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 82,953</u>	<u>\$ 30,750</u>	<u>\$ 160,287</u>	<u>\$ 273,990</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income / (loss)	\$ (11,324)	\$ 125,569	\$ 9,159	\$ 123,404
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	10,584	15,601		26,185
(Increase) decrease in inventory	1,271			1,271
(Increase) decrease in accounts receivable	2,962	(5,970)	20,883	17,875
Increase (decrease) in accounts payable	(1,238)	(3,592)	74,013	69,183
Increase (decrease) in accrued wages and comp absences	2,003	(4,909)		(2,906)
(Increase) decrease in due from (to) other funds				-
Other, net	1,874	1,346		3,220
Net cash flows from operating activities	<u>\$ 6,132</u>	<u>\$ 128,045</u>	<u>\$ 104,055</u>	<u>\$ 238,232</u>
Noncash financing and investing activities -				
Transfer of inventory to enterprise funds using due to/from	\$ None	None	None	-

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF PLAN NET ASSETS - PENSION FUNDS
As of September 30, 2011

	Pension Trust Funds			Total
	General Employees	Police Pension	Fire Pension	
ASSETS				
Receivables:				
Accrued income	\$ 13,223	\$ 5,414	\$ 1,379	\$ 20,016
Contributions receivable	46,254	21,002	8,435	75,691
Total receivables	<u>59,477</u>	<u>26,416</u>	<u>9,814</u>	<u>95,707</u>
Investments, at fair market value:				
Short-term money market funds	243,796	11,017	24,313	279,126
Fixed income securities	1,259,425	471,911	114,622	1,845,958
Equity securities	1,535,256	588,853	142,805	2,266,914
Total investments	<u>3,038,477</u>	<u>1,071,781</u>	<u>281,740</u>	<u>4,391,998</u>
Total assets	<u>3,097,954</u>	<u>1,098,197</u>	<u>291,554</u>	<u>4,487,705</u>
LIABILITIES				
Accounts payable	5,319	2,063	521	7,903
Total liabilities	<u>5,319</u>	<u>2,063</u>	<u>521</u>	<u>7,903</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 3,092,635</u>	<u>\$ 1,096,134</u>	<u>\$ 291,033</u>	<u>\$ 4,479,802</u>

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS
For the year ended September 30, 2011

	Pension Trust Funds			Total
	General Employees	Police Pension	Fire Pension	
ADDITIONS				
Contributions:				
City	\$ 162,888	\$ 21,803	\$ 14,783	\$ 199,474
Total contributions	<u>162,888</u>	<u>21,803</u>	<u>14,783</u>	<u>199,474</u>
Investment income (loss):				
Interest and dividends	87,690	34,293	8,822	130,805
Realized and unrealized gains (losses)	<u>(131,647)</u>	<u>(43,200)</u>	<u>(7,834)</u>	<u>(182,681)</u>
Investment income (loss):	<u>(43,957)</u>	<u>(8,907)</u>	<u>988</u>	<u>(51,876)</u>
Less investment expenses:				
Investment fees	<u>21,475</u>	<u>7,561</u>	<u>1,941</u>	<u>30,977</u>
Total investment expenses	<u>21,475</u>	<u>7,561</u>	<u>1,941</u>	<u>30,977</u>
Net investment income (loss)	<u>(65,432)</u>	<u>(16,468)</u>	<u>(953)</u>	<u>(82,853)</u>
Total additions	<u>97,456</u>	<u>5,335</u>	<u>13,830</u>	<u>116,621</u>
DEDUCTIONS				
Administrative expenses:				
Actuarial	6,345	3,022	705	10,072
Legal	4,206	1,689	(265)	5,630
Custodial and other fees	<u>3,372</u>	<u>1,605</u>	<u>374</u>	<u>5,351</u>
Total administrative expenses	<u>13,923</u>	<u>6,316</u>	<u>814</u>	<u>21,053</u>
Benefits and termination payments	<u>165,180</u>	<u>105,460</u>	<u>29,551</u>	<u>300,191</u>
Total deductions	<u>179,103</u>	<u>111,776</u>	<u>30,365</u>	<u>321,244</u>
NET INCREASE (DECREASE)	<u>(81,647)</u>	<u>(106,441)</u>	<u>(16,535)</u>	<u>(204,623)</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:				
Balance, beginning of year	<u>3,174,282</u>	<u>1,202,575</u>	<u>307,568</u>	<u>4,684,425</u>
Balance, end of year	<u>\$ 3,092,635</u>	<u>\$ 1,096,134</u>	<u>\$ 291,033</u>	<u>\$ 4,479,802</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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 1, 2012. 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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Certified Public Accountants

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

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

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters that we reported to management in our separate management letter dated February 1, 2012.

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

Purvis, Gray and Company, LLP

February 1, 2012
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, 2011, and have issued our report thereon dated February 1, 2012.

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 on compliance and other matters. Disclosures in that report, which is dated February 1, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with 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' reports:

- 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 the 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 financial management. In connection with our audit, we did not have any such recommendations.
- 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 occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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

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

MANAGEMENT LETTER
(Concluded)

- 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) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- 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 condition(s) 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, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Sections 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.

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 1, 2012
Sarasota, Florida

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
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.	Resolved	The City has been monitoring this, and noted improvement in 2011.
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, repair vs. capital (especially as it relates to infrastructure), impairments, componentization, transfers, and establishing and monitoring useful lives.	Resolved	The City adopted a Capitalization Policy in 2011.
2009-4	Expenditures in Excess of Budgeted Appropriations	In 2009 and 2010, we reported that certain general fund departments exceeded their budgeted appropriation. We recommended the City require departments to stay within the budget through timely monitoring of results and through the amendment process.	Not Resolved	Again in 2011, five general fund departments exceeded their departmental budgets by a total of \$176,855.
2010-1	Retail Electric Rate Tariffs	The City did not have the retail electric rate revision that was adopted in 2009 approved by the Florida Public Service Commission, as required.	Resolved	Florida Public Service Commission approved the rate change on June 30, 2011.