

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

September 30, 2013

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

**September 30, 2013**

**CITY COMMISSION**

**Mayor, Commissioner**

Rick Cochrane

**Vice-Mayor, Commissioner**

Robert Elliott

**Commissioner**

Barbara Manley

**Commissioner**

Maurice Nelson

**Commissioner**

James Watts

**APPOINTED OFFICIALS**

**City Manager**

Fred Hilliard

**City Attorney**

Gray Robinson

CITY OF FORT MEADE, FLORIDA

September 30, 2013

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2013**  
**CITY OF FORT MEADE, FLORIDA**

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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, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 3.

### **Financial Highlights**

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$16,195,851 (net position). Of this amount, \$3,986,763 (unrestricted net position) 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 position decreased by \$240,717 during 2013. Net position of governmental activities decreased by \$310,719 while net position of business-type activities increased by \$70,002.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$935,278 a decrease of \$68,815 for the year. Of the total fund balance, \$662,897 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 Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 2013**  
**CITY OF FORT MEADE, FLORIDA**  
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**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 position 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, 2013**  
**CITY OF FORT MEADE, FLORIDA**  
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**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 position presented in the governmental activities' column on the statement of net position. 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 position 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). The City has two governmental funds, both of which are reported as major funds, the general fund and the Community Redevelopment Agency, and their financial statements are presented on pages 5 - 8. The City did not have any nonmajor governmental funds.

**Proprietary Funds**

Proprietary fund financial statements consist of a statement of net position, statement of revenues, expenses, and changes in fund net position 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, sewer, 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, 2013**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

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**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 position and a statement of changes in plan net position. 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 14-44 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 45-48 of this report.

Combining statements of the nonmajor 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, 2013**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

**Government-Wide Financial Analysis**

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

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

**Statement of Net Position (Summary)**  
**as of September 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$1,112,850	\$1,146,887	\$4,716,492	\$4,295,241	\$5,829,342	\$5,442,128
Capital assets	5,595,263	5,937,309	12,026,860	12,573,750	17,622,123	18,511,059
<b>Total assets</b>	<b>6,708,113</b>	<b>7,084,196</b>	<b>16,743,352</b>	<b>16,868,991</b>	<b>23,451,465</b>	<b>23,953,187</b>
Current and other liabilities	176,085	141,995	880,914	850,183	1,056,999	992,178
Long-term obligations	1,475,702	1,575,156	4,722,913	4,949,285	6,198,615	6,524,441
<b>Total liabilities</b>	<b>1,651,787</b>	<b>1,717,151</b>	<b>5,603,827</b>	<b>5,799,468</b>	<b>7,255,614</b>	<b>7,516,619</b>
Net position:						
Invested in capital assets, net of related debt	4,192,709	4,439,297	7,385,348	7,715,088	11,578,057	12,154,385
Restricted	96,099	51,192	534,932	505,886	631,031	557,078
Unrestricted	767,518	876,556	3,219,245	2,848,549	3,986,763	3,725,105
<b>Total net position</b>	<b>\$5,056,326</b>	<b>\$5,367,045</b>	<b>\$11,139,525</b>	<b>\$11,069,523</b>	<b>\$16,195,851</b>	<b>\$16,436,568</b>

The City's assets exceeded its liabilities by \$16,195,851 (net position) at the close of the fiscal year, a decrease of \$240,717 over the prior year.

A substantial portion of the City's net position (71%) is invested in capital assets which are 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 position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,986,763 (25%), may be used to meet the government's ongoing obligations to citizens and creditors.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2013**  
**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,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$181,682	\$262,889	\$7,871,210	\$8,187,054	\$8,052,892	\$8,449,943
Operating grants and contributions	137,619	139,689			137,619	139,689
Capital grants and contributions	5,478	6,123	27,857	119,500	33,335	125,623
General revenues:						
Property taxes	471,155	305,112			471,155	305,112
Other taxes	1,000,834	996,156			1,000,834	996,156
Other revenues	631,385	616,668	47,380	50,684	678,765	667,352
<b>Total revenues</b>	<b>2,428,153</b>	<b>2,326,637</b>	<b>7,946,447</b>	<b>8,357,238</b>	<b>10,374,600</b>	<b>10,683,875</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
General government	720,911	761,241			720,911	761,241
Law enforcement	1,150,337	1,205,870			1,150,337	1,205,870
Fire	204,864	246,773			204,864	246,773
Building inspections	113,438	128,215			113,438	128,215
Road and streets	476,125	493,989			476,125	493,989
Economic environment						
Library	217,973	230,571			217,973	230,571
Recreation	177,792	193,899			177,792	193,899
Parks	304,706	325,484			304,706	325,484
Interest on long-term debt	62,572	54,859			62,572	54,859
<b>Business-type Activities:</b>						
Electric			4,761,580	4,712,210	4,761,580	4,712,210
Water and sewer			1,420,685	1,354,233	1,420,685	1,354,233
Stormwater			101,640	96,536	101,640	96,536
Natural gas			228,675	243,287	228,675	243,287
Mobile home park			245,089	267,158	245,089	267,158
Solid waste			428,930	365,985	428,930	365,985
<b>Total expenses</b>	<b>3,428,718</b>	<b>3,640,901</b>	<b>7,186,599</b>	<b>7,039,409</b>	<b>10,615,317</b>	<b>10,680,310</b>
Increase (decrease) in net position before transfers	(1,000,565)	(1,314,264)	759,848	1,317,829	(240,717)	3,565
Transfers	689,846	697,690	(689,846)	(697,690)		
Increase (decrease) in net position	(310,719)	(616,574)	70,002	620,139	(240,717)	3,565
<b>Net position - October 1</b>	<b>5,367,045</b>	<b>5,983,619</b>	<b>11,069,523</b>	<b>10,449,384</b>	<b>16,436,568</b>	<b>16,433,003</b>
<b>Net position - September 30</b>	<b>\$5,056,326</b>	<b>\$5,367,045</b>	<b>\$11,139,525</b>	<b>\$11,069,523</b>	<b>\$16,195,851</b>	<b>\$16,436,568</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2013**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

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**Governmental Activities**

Governmental activities decreased the City's net position by \$310,719 (after transfers), as compared to a decrease of \$616,574 for the prior year. The improvement over the prior year is due to an increase in revenues of 4%, primarily property tax revenues, and a decrease in expenses of 6% primarily the result of across the board expense control.

**Business-type Activities**

Business-type activities increased the City's net position by \$70,002 (after transfers), as compared to an increase of \$620,139 for the previous year. The current year drop-off is primarily due to reduced electrical utility billings of \$370,000 and increased cost of electricity of \$136,000.

**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 funds reported combined ending fund balance of \$935,278, of which \$662,897 represented *unassigned fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. This compares to \$1,004,093 and \$784,547 respectively, for the prior year.

In terms of the governmental fund's liquidity, unassigned fund balance at the end of the current year represents 19% of total annual governmental funds expenditures as compared to 16% for the previous year.

Total governmental revenue, excluding other sources and transfers in, was up 4% over the prior year and expenditures were down 6% compared to the prior year (excluding the transportation resurfacing project in 2012 for \$1,248,673 that was paid for by the proceeds from borrowings of \$1,450,000). Net transfers from the enterprise funds into the government funds were nearly the same (\$689,846) as the previous year (\$697,690).

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2013**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

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**General Fund Budgetary Highlights**

The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for the General Fund and Community Redevelopment Agency can be found on pages 45 and 46 of this report in the required supplementary information section.

The General Fund budget (original and final) anticipated revenues to equal appropriations. The variance by line item is shown on page 45. The City amended its original budget to eliminate the ending budget variances contained in the original budget which mainly involved reassigning budgeted amounts among departments.

The Community Redevelopment Agency (CRA) was established in 2011 by a transfer from the General Fund and property values in the CRA district are not at a level where it receives property taxes. Consequently, the CRA has had only minimal activity to date.

**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, 2013, amounts to \$17,622,123 compared to \$18,511,059 as of the end of the previous year which is a net decrease of \$888,936 inclusive of depreciation of \$1,026,659. Depreciation for the previous year was \$952,872. 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 \$37,083 and depreciation expense was \$379,129 compared to depreciation of \$323,674 for the previous year. Capital asset additions for the business-type activities totaled \$100,640 and depreciation was \$647,530 compared to depreciation of \$629,198 for the previous year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2013**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

Following is a summary of capital assets:

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Land	\$846,198	\$846,198	\$345,838	\$345,838	\$1,192,036	\$1,192,036
Construction in progress			\$119,000	\$119,000	\$119,000	\$119,000
Buildings and improvements	2,149,964	2,124,896	19,976,937	19,883,029	22,126,901	22,007,925
Vehicles and equipment	1,588,726	1,599,979	1,553,884	1,538,700	3,142,610	3,138,679
Road network	10,293,736	10,293,736			10,293,736	10,293,736
Less: Accumulated depreciation	(9,283,361)	(8,927,500)	(9,968,799)	(9,312,817)	(19,252,160)	(18,240,317)
<b>Net</b>	<b>\$5,595,263</b>	<b>\$5,937,309</b>	<b>\$12,026,860</b>	<b>\$12,573,750</b>	<b>\$17,622,123</b>	<b>\$18,511,059</b>

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 \$6,097,554 (excluding accrued compensated absences and deferred losses on refunding) compared to \$6,413,113 at the previous year end, a decrease of \$315,559 due to no new debt being issued and regular principal payments and discount amortization. For 2012, the City's debt increased over the 2011 amount due to new debt of \$1,450,000 to finance a transportation resurfacing project. The following is a summary of the outstanding debt:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Revenue notes	\$1,333,013	\$1,396,011	\$4,695,000	\$4,915,101	\$6,028,013	\$6,311,112
Notes and leases payable	69,541	102,001			69,541	102,001
<b>Total</b>	<b>\$1,402,554</b>	<b>\$1,498,012</b>	<b>\$4,695,000</b>	<b>\$4,915,101</b>	<b>\$6,097,554</b>	<b>\$6,413,113</b>

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, 2013**  
**CITY OF FORT MEADE, FLORIDA**

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

The City of Fort Meade is a rural community located in the southwest corner of Polk County, in Central Florida's Bone Valley. The community's economy in the past has been primarily based on the mining industry with agricultural uses following to occupy the reclaimed mined areas. Use of this previously mined or reclaimed property was thought to be restricted to agricultural uses and unsuitable for residential, commercial and industrial sites.

However, changing environmental policies, incentives for Brownfields development, advancements in geotechnical engineering and the sustainability movement, have changed the way reclaimed property is viewed with regards to potential residential, commercial and industrial development. As such, this is capturing the interest of investors to our region. Areas previously mined were thought of as wastelands and are now slated to house solar farms, produce boiler feed stock for power generators, and house recreational facilities as residual phosphate from previously mined areas is recovering. Combining these innovative ideas with the area's access to the electric grid, transportation network and central location presents a unique opportunity for growth in the community and region.

The City is assisting in the siting of the US Ecogen Biomass Power Plant in North Fort Meade. US Ecogen anticipates breaking ground in the spring of 2014 and this 60+/- megawatt biomass generating unit is projected to come on line in the spring of 2016 and producing power for the Duke Energy system. The estimated value for this facility is projected to be \$300,000,000 +/- dollars and will be producing an estimated 100 full-time jobs in the region. The successful development of this project in the City of Fort Meade will have a major impact on the continued success of the community. As expected, with the announcement by US Ecogen, the City has begun to receive inquiries from other commercial operations which are looking for sites for support services in the vicinity of the US Ecogen facility. The development of these ancillary operations will also have a significant impact on the community's growth and development. In addition to the US Ecogen project, the City of Fort Meade is fortunate to have two projects up and running in our vicinity. The first group developed a process to recover low grade phosphate rock from previously mined areas and the second has constructed a convention center and recreational facility on reclaimed phosphate land.

JDC developed a process to extract low grade phosphate from previously mined areas using an innovative process that is environmentally friendly in eliminating the production of sulfuric acid and gypsum in the recovery of phosphate. This \$25,000,000 facility began operation in October of 2013, and created 45 jobs in the region. JDC has employed a unique approach to their project by housing it on an abandoned industrial site, and constructing the plant with salvaged equipment from the old processing facilities abandoned in the area.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2013**  
**CITY OF FORT MEADE, FLORIDA**

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

Mosaic's Streamsong Resort and Conference Center which encompasses some 16,000+/- acres on reclaimed mined properties, is now a reality. This facility offers recreational venues such as golf, fishing, sporting clays and hunting to their guests. Located west of Fort Meade, the City is assisting the staff and vendors to identify potential sites for support services. The opening of the two golf courses occurred in December of 2012, and the Hotel Conference Center opening is scheduled for January of 2014. The City has experienced the development of several new businesses within the community which serves the visitors to the Streamsong Resort.

While the City of Fort Meade is facing change as a result of growth in the area and region, change is often viewed and feared as disruptive to the normal way of life in a small community. In dealing with this however, the City Commissioners, and staff, are facing a wide range of issues regarding the City's infrastructure, land use regulations and the expansion into new areas while striving to maintain the community's character. Balancing these concerns will require a planned approach to finance, construction and implementation of the changes while maintaining and serving the community. Therefore, the Budget Goals for Fiscal Year 2013-2014 are as follows:

- Complete the Feasibility Study for the Peace River Park & RV Development and solicit potential partners for the project to secure engineering design funding.
- Electrical System – The City has chosen to exercise establishing its Contract Rate of Demand (CROD) from the All Requirements Project that will set the systems load and power purchase requirements. To assist in this effort, the City has implemented a demand side management operation using the existing emergency stand-by power units to economically reduce the system's load. These efforts have reduced the City's power cost by \$80,000.00 this last year based on the Florida Municipal Power Agency's calculations.
- Water System – With the implemented rate increase done as a result of the GAI Rate Study and the improved metering, this system's financing is improving. As such, the staff has identified several key components in the water system that need attention. These include the replacement of old 2" water mains and broken fire hydrants. However, all the system's problems will not be solved at once, but the citizens are beginning to see repairs being completed.
- Sewer System – The rate study prepared by GAI is providing the system with needed revenue to improve the system's operation. However the age of the system and the pump stations are beginning to show their age and wear. We are presently engaged in an engineering study to identify the deficiencies in the collection system and areas of inflow infiltration that are impacting its operation. The staff will be evaluating the need to implement a downstream analysis for future connections to insure the system has the capacity to provide the service.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2013**  
**CITY OF FORT MEADE, FLORIDA**

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

- Stormwater System – With the completion of the rate study by GAI in the summer of 2013, the City Commission adopted the proposed Stormwater Rates as provided. Now the commercial land uses will be taxed based on the amount of run-off they generate and would be given credit on for the approved stormwater measures they have or put in place, not on a fixed fee basis. Working with GAI and a revised rate schedule, the staff will be working to implement the reduced stormwater rates and educating the commercial accounts as to how they can apply for credit for their stormwater detention systems.
- City Natural Gas System Sale – The sale of the natural gas system to Florida Public Utilities this fall had a two-fold objective by the City. This operation provided a minimal return to the city and to expand the system and increase its coverage would be expensive. With the majority of the City's building lots occupied, additional service connections would not be cost effective. Selling this system to a larger operation will insure the system is maintained, and provides the City with a partner in development of the community. With their interest in selling gas they would become a partner in the City's economic development efforts.
- Downtown Vision – The Chamber of Commerce has taken the lead to establish a citizen's advisory committee to develop a vision for the City's main street (West Broadway). The committee's initial work has proven to be successful in bringing new business to the area and a façade improvements program with both public and private funding. The committee's goal is the main street (West Broadway) first and then spreading out into the community. The Chamber of Commerce's efforts supports the change underway in Fort Meade in promoting the community's development and success

# **INDEPENDENT AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Meade, Florida (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505  
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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

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

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, 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* in considering the City's internal control over financial reporting and compliance.

*Purvis, Gray and Company, LLP*

December 6, 2013  
Sarasota, Florida

# **FINANCIAL STATEMENTS**

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF NET POSITION**  
As of September 30, 2013

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 717,366	\$ 1,903,058	\$ 2,620,424
Receivables, current:			
Customer accounts, net	75,286	1,559,513	1,634,799
Intergovernmental	52,123	20,719	72,842
Franchise and service taxes	30,589		30,589
Inventories	4,310	386,185	390,495
Net pension asset	7,143		7,143
Inter fund balances, net	166,316	(166,316)	
Restricted assets:			
Equity in pooled cash and cash equivalents	59,717	959,845	1,019,562
Capital assets:			
Non-depreciable	846,198	464,838	1,311,036
Depreciable, net	4,749,065	11,562,022	16,311,087
Unamortized bond issue costs		53,488	53,488
<b>TOTAL ASSETS</b>	<b>6,708,113</b>	<b>16,743,352</b>	<b>23,451,465</b>
<b>LIABILITIES</b>			
Accounts payable	56,834	422,403	479,237
Accrued wages and benefits	95,595	33,599	129,194
Accrued interest payable	5,656	20,254	25,910
Due to other governments	6,102		6,102
Unearned income	11,898		11,898
Customer deposits		404,658	404,658
Long-term obligations:			
Due within one year	99,614	227,722	327,336
Due in more than one year	1,376,088	4,495,191	5,871,279
<b>TOTAL LIABILITIES</b>	<b>1,651,787</b>	<b>5,603,827</b>	<b>7,255,614</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,192,709	7,385,348	11,578,057
Restricted for:			
Law enforcement purposes	8,859		8,859
Community redevelopment	42,039		42,039
Debt service	4,468	327,631	332,099
Transportation	40,733		40,733
Water and sewer systems improvements		207,301	207,301
Unrestricted	767,518	3,219,245	3,986,763
<b>TOTAL NET POSITION</b>	<b>\$ 5,056,326</b>	<b>\$ 11,139,525</b>	<b>\$ 16,195,851</b>

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2013

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
<b>PRIMARY GOVERNMENT:</b>								
<b>Governmental activities:</b>								
General government	\$ 720,911	\$	\$ 123,322	\$ 7,500	\$	\$ (590,089)	\$	\$ (590,089)
Law enforcement	1,150,337		4,905		5,478	(1,139,954)		(1,139,954)
Fire control	204,864			83,165		(121,699)		(121,699)
Building inspections	113,438		38,934			(74,504)		(74,504)
Roads and streets	476,125			12,296		(463,829)		(463,829)
Library	217,973		4,058	34,658		(179,257)		(179,257)
Recreation	177,792		7,972			(169,820)		(169,820)
Parks	304,706		2,491			(302,215)		(302,215)
Interest on long-term debt	62,572					(62,572)		(62,572)
<b>Total governmental activities</b>	<b>3,428,718</b>		<b>181,682</b>	<b>137,619</b>	<b>5,478</b>	<b>(3,103,939)</b>		<b>(3,103,939)</b>
<b>Business-type activities:</b>								
Electric	4,761,580		5,490,504				728,924	728,924
Water	505,273		504,513				(760)	(760)
Sewer	915,412		677,730		27,857		(209,825)	(209,825)
Stormwater	101,640		124,643				23,003	23,003
Natural gas	228,675		269,968				41,293	41,293
Mobile home park	245,089		384,119				139,030	139,030
Solid waste	428,930		419,733				(9,197)	(9,197)
<b>Total business-type activities</b>	<b>7,186,599</b>		<b>7,871,210</b>		<b>27,857</b>		<b>712,468</b>	<b>712,468</b>
<b>TOTOL PRIMARY GOVERNMENT</b>	<b>\$ 10,615,317</b>	<b>\$</b>	<b>\$ 8,052,892</b>	<b>\$ 137,619</b>	<b>\$ 33,335</b>	<b>(3,103,939)</b>	<b>712,468</b>	<b>(2,391,471)</b>
<b>GENERAL REVENUES:</b>								
Taxes:								
Property taxes levied for general purposes						471,155		471,155
Public service taxes and franchise fees						707,190		707,190
Fuel taxes levied for transportation purposes						293,644		293,644
State shared revenue						581,673		581,673
Investment earnings						735	1,434	2,169
Miscellaneous						48,977	45,946	94,923
Transfers						689,846	(689,846)	
<b>Total general revenues, special items, and transfers</b>						<b>2,793,220</b>	<b>(642,466)</b>	<b>2,150,754</b>
<b>Change in net position</b>						<b>(310,719)</b>	<b>70,002</b>	<b>(240,717)</b>
<b>NET POSITION - beginning of year</b>						<b>5,367,045</b>	<b>11,069,523</b>	<b>16,436,568</b>
<b>NET POSITION - end of year</b>						<b>\$ 5,056,326</b>	<b>\$ 11,139,525</b>	<b>\$ 16,195,851</b>

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
As of September 30, 2013

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Total</u>
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 675,327	\$ 42,039	\$ 717,366
Receivables, net			
Customer accounts, net	75,286		75,286
Intergovernmental	52,123		52,123
Franchise and public service taxes	30,589		30,589
Inventory	4,310		4,310
Advances to other funds	166,316		166,316
Restricted assets:			
Cash and cash equivalents	59,717		59,717
<b>TOTAL ASSETS</b>	<u>\$ 1,063,668</u>	<u>\$ 42,039</u>	<u>\$ 1,105,707</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 56,834	\$	\$ 56,834
Accrued wages and benefits	95,595		95,595
Due to other governments	6,102		6,102
Unearned income	11,898		11,898
<b>TOTAL LIABILITIES</b>	<u>170,429</u>		<u>170,429</u>
Fund balance:			
Non-spendable:			
Inter-fund advances	166,316		166,316
Inventory	4,310		4,310
Restricted:			
Law enforcement trust fund	8,859		8,859
Transportation	40,733		40,733
Debt service	10,124		10,124
Community redevelopment		42,039	42,039
Unassigned	662,897		662,897
<b>TOTAL FUND BALANCE</b>	<u>893,239</u>	<u>42,039</u>	<u>935,278</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 1,063,668</u>	<u>\$ 42,039</u>	<u>\$ 1,105,707</u>

See Accompanying Notes to Financial Statements



**CITY OF FORT MEADE, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS**  
As of September 30, 2013

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<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 935,278
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	5,595,263
Net pension asset is not reported in governmental funds	7,143
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	(1,475,702)
This is the amount of accrued interest payable	<u>(5,656)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 5,056,326</u>

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
For the year ended September 30, 2013

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Total</u>
<b>REVENUES:</b>			
Taxes	\$ 1,383,787	\$	\$ 1,383,787
Licenses and permits	140,563		140,563
Intergovernmental revenue	727,563		727,563
Charges for services	14,521		14,521
Fines and forfeitures	97,546		97,546
Interfund service charges	260,000		260,000
Other	64,172		64,172
Total revenues	<u>2,688,152</u>		<u>2,688,152</u>
<b>EXPENDITURES:</b>			
General government	954,419	275	954,694
Public safety	1,424,700		1,424,700
Transportation	224,008		224,008
Culture/recreation	684,693		684,693
Debt service	158,718		158,718
Total expenditures	<u>3,446,538</u>	<u>275</u>	<u>3,446,813</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(758,386)</u>	<u>(275)</u>	<u>(758,661)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out), net	689,846		689,846
Total other financing sources	<u>689,846</u>		<u>689,846</u>
<b>NET CHANGE IN FUND BALANCE</b>	(68,540)	(275)	(68,815)
<b>FUND BALANCE, beginning of year</b>	<u>961,779</u>	<u>42,314</u>	<u>1,004,093</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 893,239</u>	<u>\$ 42,039</u>	<u>\$ 935,278</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, 2013

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**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (68,815)

**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 37,083  
This is the amount of depreciation recorded in the current period (379,129)

Net pension asset recognized in the government-wide assets

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 95,458  
This amount represents the change in accrued interest payable 688  
This amount represents the change in compensated absence liability 3,996

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (310,719)

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
As of September, 2013

	<b>Business Type Activities - Enterprise Funds</b>					<b>Total</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Stormwater Utility</b>	<b>Non-Major Funds</b>	
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and cash equivalents	\$ 1,417,365	\$ 61,487	\$	\$ 230,946	\$ 193,260	\$ 1,903,058
Receivables, net						
Customers	1,263,085	72,200	106,456	20,880	96,892	1,559,513
Others			20,719			20,719
Inventory	314,707	56,587	914		13,977	386,185
Total current assets	<u>2,995,157</u>	<u>190,274</u>	<u>128,089</u>	<u>251,826</u>	<u>304,129</u>	<u>3,869,475</u>
Noncurrent assets:						
Restricted assets:						
Equity in pooled cash and cash equivalents	252,572	198,342	345,022	102,989	60,920	959,845
Capital assets, net						
Non-depreciable	119,000	167,487	167,487		10,864	464,838
Depreciable	3,372,250	1,974,017	5,354,585	492,509	368,661	11,562,022
Unamortized bond issue costs		15,246	37,320		922	53,488
Total noncurrent assets	<u>3,743,822</u>	<u>2,355,092</u>	<u>5,904,414</u>	<u>595,498</u>	<u>441,367</u>	<u>13,040,193</u>
<b>TOTAL ASSETS</b>	<u>6,738,979</u>	<u>2,545,366</u>	<u>6,032,503</u>	<u>847,324</u>	<u>745,496</u>	<u>16,909,668</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	337,724	11,780	25,930	38	46,931	422,403
Accrued wages and benefits	11,580	3,719	13,204	149	4,947	33,599
Due to other funds						
Bonds and notes payable, current portion		14,425	63,297	110,000	40,000	227,722
Total current liabilities	<u>349,304</u>	<u>29,924</u>	<u>102,431</u>	<u>110,187</u>	<u>91,878</u>	<u>683,724</u>
Noncurrent liabilities:						
Advances from other funds		166,316				166,316
Compensated absences	6,891	1,323	7,653		12,046	27,913
Payable from restricted assets:						
Accrued interest payable		4,177	11,949	2,155	1,973	20,254
Customer deposits	252,572	79,590	30,216		42,280	404,658
Bonds and notes payable, noncurrent portion		1,131,336	3,290,942		45,000	4,467,278
Total noncurrent liabilities	<u>259,463</u>	<u>1,382,742</u>	<u>3,340,760</u>	<u>2,155</u>	<u>101,299</u>	<u>5,086,419</u>
<b>TOTAL LIABILITIES</b>	<u>608,767</u>	<u>1,412,666</u>	<u>3,443,191</u>	<u>112,342</u>	<u>193,177</u>	<u>5,770,143</u>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	3,491,250	1,010,989	2,205,153	382,509	295,447	7,385,348
Restricted for:						
Utility system improvements (expendable)		78,932	128,369			207,301
Debt service		35,643	174,488	100,833	16,667	327,631
Unrestricted	2,638,962	7,136	81,302	251,640	240,205	3,219,245
<b>TOTAL NET POSITION</b>	<u>\$ 6,130,212</u>	<u>\$ 1,132,700</u>	<u>\$ 2,589,312</u>	<u>\$ 734,982</u>	<u>\$ 552,319</u>	<u>\$ 11,139,525</u>

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS**  
For the year ended September 30, 2013

	<b>Business Type Activities - Enterprise Funds</b>					<b>Total</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Stormwater Utility</b>	<b>Non-Major Funds</b>	
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 5,490,504	\$ 504,513	\$ 677,730	\$ 124,643	\$ 1,073,820	\$ 7,871,210
Total operating income	<u>5,490,504</u>	<u>504,513</u>	<u>677,730</u>	<u>124,643</u>	<u>1,073,820</u>	<u>7,871,210</u>
<b>OPERATING EXPENSES:</b>						
Personal services	256,715	125,371	224,087	1,716	80,651	688,540
Purchases for resale	3,770,022				89,293	3,859,315
Operating expenses	503,968	232,652	294,001	48,349	701,449	1,780,419
Depreciation	230,875	96,136	250,593	45,525	24,401	647,530
Total operating expenses	<u>4,761,580</u>	<u>454,159</u>	<u>768,681</u>	<u>95,590</u>	<u>895,794</u>	<u>6,975,804</u>
<b>OPERATING INCOME</b>	<u>728,924</u>	<u>50,354</u>	<u>(90,951)</u>	<u>29,053</u>	<u>178,026</u>	<u>895,406</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>						
Interest revenue	1,272		139		23	1,434
Interest and other debt service costs		(51,114)	(146,731)	(6,050)	(6,900)	(210,795)
Other, net	15,059	28,809			2,078	45,946
Total nonoperating revenues (expenses)	<u>16,331</u>	<u>(22,305)</u>	<u>(146,592)</u>	<u>(6,050)</u>	<u>(4,799)</u>	<u>(163,415)</u>
Income (loss) before contributions and transfers	745,255	28,049	(237,543)	23,003	173,227	731,991
<b>CAPITAL CONTRIBUTIONS</b>						
Capital grants and contributions			27,857			27,857
<b>TRANSFERS IN (OUT)</b>	<u>(563,926)</u>	<u>(83,478)</u>	<u>83,478</u>		<u>(125,920)</u>	<u>(689,846)</u>
Change in net position	181,329	(55,429)	(126,208)	23,003	47,307	70,002
<b>TOTAL NET POSITION - beginning of year</b>	<u>5,948,883</u>	<u>1,188,129</u>	<u>2,715,520</u>	<u>711,979</u>	<u>505,012</u>	<u>11,069,523</u>
<b>TOTAL NET POSITION - end of year</b>	<u>\$ 6,130,212</u>	<u>\$ 1,132,700</u>	<u>\$ 2,589,312</u>	<u>\$ 734,982</u>	<u>\$ 552,319</u>	<u>\$ 11,139,525</u>

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the year ended September 30, 2013

	<b>Business Type Activities - Enterprise Funds</b>					
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Stormwater Utility</b>	<b>Non-Major Funds</b>	<b>Enterprise Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers	\$ 5,388,766	\$ 505,024	\$ 655,877	\$ 124,063	\$ 1,062,502	\$ 7,736,232
Payments to suppliers	(4,242,126)	(241,676)	(296,989)	(48,527)	(785,693)	(5,615,011)
Payments for salaries and benefits	(260,266)	(123,993)	(225,896)	(1,567)	(80,262)	(691,984)
Net cash flows from operating activities	<u>886,374</u>	<u>139,355</u>	<u>132,992</u>	<u>73,969</u>	<u>196,547</u>	<u>1,429,237</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Increase (decrease) in customer deposits	(2,560)	(542)	1,814		(1,800)	(3,088)
Other nonoperating income (loss)	15,059	28,809			2,078	45,946
Transfers (to) from other funds, net of change in due to/from	(563,926)	(83,478)	83,478		(129,118)	(693,044)
Net cash flows from noncapital financing activities	<u>(551,427)</u>	<u>(55,211)</u>	<u>85,292</u>		<u>(128,840)</u>	<u>(650,186)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets, net of related payables	(76,948)	(10,435)		(13,258)		(100,641)
Principal paid on notes, bonds and lease obligations		(13,821)	(61,280)	(105,000)	(40,000)	(220,101)
Interest paid on borrowings		(50,730)	(145,789)	(7,679)	(6,907)	(211,105)
Capital contributions and impact fees received, net of receivables			7,138			7,138
Net cash flows from capital and related financing activities	<u>(76,948)</u>	<u>(74,986)</u>	<u>(199,931)</u>	<u>(125,937)</u>	<u>(46,907)</u>	<u>(524,709)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest on invested funds	1,272		139		23	1,434
Net cash flows from investing activities	<u>1,272</u>		<u>139</u>		<u>23</u>	<u>1,434</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>259,271</u>	<u>9,158</u>	<u>18,492</u>	<u>(51,968)</u>	<u>20,823</u>	<u>255,776</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,410,666</u>	<u>250,671</u>	<u>326,530</u>	<u>385,903</u>	<u>233,357</u>	<u>2,607,127</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,669,937</u>	<u>\$ 259,829</u>	<u>\$ 345,022</u>	<u>\$ 333,935</u>	<u>\$ 254,180</u>	<u>\$ 2,862,903</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 728,924	\$ 50,354	\$ (90,951)	\$ 29,053	\$ 178,026	\$ 895,406
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	230,875	96,136	250,593	45,525	24,401	647,530
(Increase) decrease in inventory	(3,388)	(8,659)	227		2,289	(9,531)
(Increase) decrease in accounts receivable	(101,738)	511	(21,853)	(580)	(11,318)	(134,978)
Increase (decrease) in accounts payable	35,252	(365)	(3,215)	(178)	2,760	34,254
Increase (decrease) in accrued wages	(83)	1,116	1,407	149	238	2,827
Increase (decrease) in accrued comp absences	(3,468)	262	(3,216)		151	(6,271)
Net cash flows from operating activities	<u>\$ 886,374</u>	<u>\$ 139,355</u>	<u>\$ 132,992</u>	<u>\$ 73,969</u>	<u>\$ 196,547</u>	<u>\$ 1,429,237</u>
<b>Noncash financing and investing activities -</b>						
None	\$ None	\$ None	None	None	\$ None	

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUND**  
As of September 30, 2013

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	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Receivables:	
Contributions receivable	\$ 103,541
Total receivables	<u>103,541</u>
Investments, at fair market value:	
Cash and short-term money market funds	72,442
Fixed income securities	2,162,144
Equity securities	<u>3,337,948</u>
Total investments	<u>5,572,534</u>
<b>Total assets</b>	<u>5,676,075</u>
<b>LIABILITIES</b>	
Accounts payable	<u>11,146</u>
<b>Total liabilities</b>	<u>11,146</u>
<b>NET POSITION</b>	<u>\$ 5,664,929</u>

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS**  
For the year ended September 30, 2013

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	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
City	\$ 213,350
Total contributions	<u>213,350</u>
Investment income (loss)	
Net investment income	751,463
Investment fees	<u>(12,941)</u>
Net investment income (loss)	<u>738,522</u>
<b>Total additions</b>	<u>951,872</u>
<b>DEDUCTIONS</b>	
Administrative expenses:	
Actuarial	15,486
Legal	41,014
Custodial fees	<u>12,021</u>
Total administrative expenses	68,521
Benefits and termination payments	<u>296,691</u>
<b>Total deductions</b>	<u>365,212</u>
<b>CHANGE IN NET POSITION</b>	586,660
NET POSITION, beginning of year	<u>5,078,269</u>
NET POSITION, end of year	<u>\$ 5,664,929</u>

See Accompanying Notes to Financial Statements



NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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**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.

This report also includes 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.

City Ordinance 07-18 established the City of Fort Meade Community Redevelopment Agency (the CRA) which is presented in the accompanying financial statements as a blended component unit. The City Commission is also the CRA Board, and as such, the City can "impose its will" on the CRA in a variety of ways. In addition, the relationship meets the definition of a "financial benefit/burden" in that the City provides services that benefit the CRA. Finally, the two entities currently have the same management team.

Property valuations in the CRA district are currently not at a level where the CRA receives incremental property taxes.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The City's 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 position 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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

These financial statements are prepared in accordance with generally accepted accounting principles for governmental entities, as determined by the *Governmental Accounting Standards Board* (GASB).

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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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

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

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, utility and franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 funds:

- **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.
- **Community Redevelopment Agency** is a special revenue fund and accounts for the incremental advalorem taxes generated within the CRA district to be used to improve the CRA area. City Management electively included the CRA as a major fund.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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

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

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 Utility Fund** accounts for the provision of water to the residents of the City. All activities necessary to provide such services are accounted for in this fund.
- **Sewer Utility Fund** accounts for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.
- **Stormwater Utility Fund** accounts for the costs of stormwater and drainage improvements and the related customer charges.

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.

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 general fund charged \$260,000 to user departments in certain enterprise funds for indirect services provided by general fund departments. At the fund level, these charges are reported as a revenue in the general fund (interfund service charges). In the entity-wide statement of activities this revenue is netted against general government activity expenses.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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**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, cash and equivalents includes 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.
- **Investments** - All investments are reported at market value.

**Receivables and Unearned Revenues** - All receivables are reported at their gross value reduced by the estimated portion that is expected to be uncollectible which totaled \$35,427 as of September 30, 2013. 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 \$437,934 as of September 30, 2013.

Governmental funds report unearned 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 unearned 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, 2013

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**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 repaid as of year end, balances of interfund receivables and payables expected to be liquidated within one year have been reported as due from and due to other funds. Interfund receivables not expected to be repaid within one year are reported as interfund 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, 2013.

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, 2013

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**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. Also the positive fund balance in the Community Redevelopment Agency is reported as restricted in accordance with applicable State Statute requirements.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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**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, 2013.

**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.

**Net Position** - In the government-wide financial statements, net position is 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 the actuarially required annual contribution amounts.



NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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**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 fiscal year ended September 30, 2013 was 5.6484.

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, 2013

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**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 2013.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Department:</b>				
Police	\$ 1,110,314	\$ 1,111,148	\$ 1,147,539	\$ (36,391)
Recreation	\$ 292,978	\$ 271,448	\$ 273,183	\$ (1,735)

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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**NOTE 4 - CASH AND INVESTMENTS**

At September 30, 2013, the carrying amount of the City's deposits and investments (excluding pension trust funds) is summarized below:

<b>Equity in pooled cash and cash equivalents:</b>	
Cash on hand	\$ 1,040
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	<u>3,638,946</u>
Total equity in pooled cash and cash equivalents	<u>\$ 3,639,986</u>
<b>Investments securities:</b>	
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.

**Investments** - The types of investments in which the City may invest is governed by its investment policy. There are no other legal or contractual requirements. Other than the broad criteria contained in the investment policy, the City does not have any additional policy for dealing with interest rate, custodial or concentration risks.

The City has contracted with the Florida Municipal Pension Trust Fund (FMIvT) to be the custodian and investment manager for the pension trusts' investments and has adopted the FMIvT's investment policy for its pension trust funds. The City selected an investment allocation ratio of not to exceed 60% of the pension trusts' assets invested in equity securities (pooled equity funds managed by FMIvT) and 40% in fixed income securities (pooled fixed income funds managed by FMIvT). Within this 60/40 ratio, the FMIvT has target percentages of how it allocates a participant's investments among the various pooled accounts that it maintains for its participants.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

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

The City's and FMIvT's investment policies (for the pension funds) are summarized below.

<b>Authorized Investments</b>	<b>Maximum Portfolio Concentration</b>	<b>Maximum Maturity</b>	<b>Maximum Issuer Concentration</b>	<b>Lowest Permitted S&amp;P Rating</b>
<b>City of Fort Meade:</b>				
U. S. Government securities	100.00%	5 years	10.00%	
U. S. Government Agency securities	100.00%	5 years	10.00%	
Government Sponsored Enterprises	75.00%	5 years	10.00%	AAA
State or local government obligations	30.00%	5 years	10.00%	AAA
Corporate notes of any U. S. company	30.00%	1 year	5.00%	AA-
Commercial paper of any U. S. company	30.00%	1 year	50.00%	A1+
Non-negotiable interest bearing deposits in qualified public depositories	50.00%	1 year	10.00%	
Intergovernmental investment pools	75.00%	1 day	75.00%	AAA
Florida Local Government Surplus Funds Trust Fund	50.00%	1 day	25.00%	AAA
Money market mutual funds (registered investment companies)	50.00%	1 day	25.00%	AAA
Repurchase agreements 102% secured by securities of the U. S. Government its Agencies or Instrumentalities	50.00%	1 year	25.00%	
<b>Overall portfolio limitations:</b>				
Overall portfolio total average duration limitation cannot exceed		5 years		
Minimum portfolio invested in daily liquidity investments		25.00%		
<b>Pension Plans (FMIvT investment policy):</b>				
Repurchase agreements	Not Limited	60 days		
Direct obligations of the U.S. Treasury	Not Limited			
State Board of Administration or State Treasurer authorized investments	Not Limited			
Commercial paper issued in the U. S.	Not Limited	270 days		A+
Bankers' acceptances	Not Limited	270 days		AA
Negotiable certificates of deposit	Not Limited	2 years	\$5 million	A
U. S. Government Agency securities	Not Limited			
Money market master mutual funds, limited to temporary funds	Temp funds			A
Mortgage obligations guaranteed by U.S.	Not Limited			AAA
Corporate fixed income securities issued by U. S. company	Not Limited		3.00%	
Asset backed securities issued by U.S.	Not Limited			A
State, municipal, county governments	Not Limited			A
Comingled government investment trusts	Not Limited			
Guaranteed investment contracts with highest rated companies	Not Limited			A
Investment agreements with financial institutions	Not Limited		\$10 million	
Equity assets	Not Limited	60.00%		
Florida Municipal Investment Trust (FMIvT) portfolios	Not Limited			
<b>Target Allocations:</b>				
60% equity securities, 40% fixed income securities				

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

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

The schedule below summarizes the fixed income investments by credit rating and maturity. All of the pension trust funds' investments are evidenced by shares of the applicable FMIvT investment pools and are not exposed to custodial credit risk and are excluded from the concentration risk disclosure.

Investment Type	Fitch Rating	Fair Value	Effective Duration	Weighted Average Maturity
<b>General Employees' Pension Plan:</b>				
Cash and short-term money market	NA	\$ 51,970	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AA/V5	<u>\$ 1,551,112</u>	4.49	5.54
		<u>\$ 1,603,082</u>		
<b>Police Officers' Retirement Trust Fund:</b>				
Cash and short-term money market	NA	\$ 15,890	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AA/V5	<u>\$ 474,268</u>	4.49	5.54
		<u>\$ 490,158</u>		
<b>Firefighters' Retirement Trust Fund:</b>				
Cash and short-term money market	NA	\$ 4,582	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AA/V5	<u>\$ 136,764</u>	4.49	5.54
		<u>\$ 141,346</u>		

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance October 1, 2012	Transfers	Additions	Deletions	Balance September 30, 2013
<b><u>Governmental Activities:</u></b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 846,198	\$	\$	\$	\$ 846,198
Total	<u>\$ 846,198</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 846,198</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	\$ 2,124,896	\$	\$ 25,068	\$	\$ 2,149,964
Equipment	1,599,979		12,015	(23,268)	1,588,726
Infrastructure:					
Road network	10,293,736				10,293,736
Total	<u>14,018,611</u>		<u>37,083</u>	<u>(23,268)</u>	<u>14,032,426</u>
Total all capital assets	<u>14,864,809</u>		<u>37,083</u>	<u>(23,268)</u>	<u>14,878,624</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,208,527)		(52,505)		(1,261,032)
Equipment	(1,132,670)		(73,824)	23,268	(1,183,226)
Infrastructure:					
Road network	(6,586,303)		(252,800)		(6,839,103)
Total accumulated depreciation	<u>(8,927,500)</u>		<u>(379,129)</u>	<u>23,268</u>	<u>(9,283,361)</u>
Depreciable capital assets, net	<u>5,091,111</u>		<u>(342,046)</u>		<u>4,749,065</u>
Governmental activities capital assets, net	<u>\$ 5,937,309</u>	<u>\$</u>	<u>\$ (342,046)</u>	<u>\$</u>	<u>\$ 5,595,263</u>
<b><u>Business-type activities:</u></b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 345,838	\$	\$	\$	\$ 345,838
Construction in process	119,000				119,000
Total	<u>\$ 464,838</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 464,838</u>
<b>Capital assets being depreciated:</b>					
Buildings, utility plant and improvements	\$ 19,883,029	\$	\$ 93,908	\$	\$ 19,976,937
Equipment	1,538,700	21,992	6,732	(13,540)	1,553,884
Total	<u>21,421,729</u>	<u>21,992</u>	<u>100,640</u>	<u>(13,540)</u>	<u>21,530,821</u>
Total all capital assets	<u>21,886,567</u>	<u>21,992</u>	<u>100,640</u>	<u>(13,540)</u>	<u>21,995,659</u>
Less accumulated depreciation	(9,312,817)	(21,992)	(647,530)	13,540	(9,968,799)
Depreciable capital assets, net	<u>12,108,912</u>		<u>(546,890)</u>		<u>11,562,022</u>
Business-type activities capital assets, net	<u>\$ 12,573,750</u>	<u>\$</u>	<u>\$ (546,890)</u>	<u>\$</u>	<u>\$ 12,026,860</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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**NOTE 5 - CAPITAL ASSETS** (cont...)

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

Governmental Activities:

General government	\$ 34,815
Law enforcement	2,798
Fire control	40,351
Building inspections	790
Roads and streets	252,881
Library	3,696
Recreation	12,275
Parks	<u>31,523</u>
Total depreciation expense - governmental activities	<u>\$ 379,129</u>

Business-type Activities:

Electric	\$ 230,875
Water	96,136
Sewer	250,593
Stormwater	45,525
Natural gas	9,350
Mobile home park	<u>15,051</u>
Total depreciation expense - business-type activities	<u>\$ 647,530</u>

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

**NOTE 6 - LONG TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2013:

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Amounts Due within One Year
<b><u>Governmental Activities</u></b>					
<b>Long-term debt:</b>					
5th Cent Local Option Fuel Tax					
Revenue Notes, Series 2011	\$ 1,396,011	\$	\$ (62,998)	\$ 1,333,013	\$ 65,637
Installment notes and leases payable	102,001		(32,460)	69,541	33,977
Total long-term debt	<u>1,498,012</u>		<u>(95,458)</u>	<u>1,402,554</u>	<u>99,614</u>
<b>Other liabilities:</b>					
Compensated absences	77,144		(3,996)	73,148	
Total other liabilities	<u>77,144</u>		<u>(3,996)</u>	<u>73,148</u>	
Total long-term obligations	<u>\$ 1,575,156</u>	<u>\$</u>	<u>\$ (99,454)</u>	<u>1,475,702</u>	<u>\$ 99,614</u>
Less amount due in one year				(99,614)	
Total non-current obligations due in more than one year				<u>\$ 1,376,088</u>	
<b><u>Business-type Activities</u></b>					
<b>Long-term debt:</b>					
Revenue bonds and certificates					
Water and Sewer, Series 1982	\$ 124,341	\$	\$ (13,816)	\$ 110,525	\$ 13,816
Water and Sewer, Series 2005A	2,586,125		(37,296)	2,548,829	38,881
Water and Sewer, Series 2005B	705,052		(10,168)	694,884	10,600
Stormwater Revenue, Series 1998	215,000		(105,000)	110,000	110,000
Mobile Home Park Revenue, Series 2000	125,000		(40,000)	85,000	40,000
Water and Sewer, Series 2009	1,159,583		(13,821)	1,145,762	14,425
Total long-term debt	<u>4,915,101</u>		<u>(220,101)</u>	<u>4,695,000</u>	<u>227,722</u>
<b>Other liabilities:</b>					
Compensated absences	34,184		(6,271)	27,913	
Total other liabilities	<u>34,184</u>		<u>(6,271)</u>	<u>27,913</u>	
Total long-term obligations	<u>\$ 4,949,285</u>	<u>\$</u>	<u>\$ (226,372)</u>	<u>4,722,913</u>	<u>\$ 227,722</u>
Less amount due in one year				(227,722)	
Total non-current obligations due in more than one year				<u>\$ 4,495,191</u>	



**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

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

Bonds and notes outstanding at September 30, 2013, 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>
<b><u>Governmental Activities</u></b>					
<b>Long-term debt:</b>					
5th Cent Local Option Fuel Tax	1	2028	4.190%	1,450,000	1,333,013
Fire truck lease	2	2015	4.670%	217,982	<u>69,541</u>
Total governmental activities					<u>\$ 1,402,554</u>
<b><u>Business-type Activities</u></b>					
<b>Long-term debt:</b>					
Revenue bonds and certificates:					
Water and Sewer, Series 1982	3	2021	5.000%	193,421	110,525
Water and Sewer, Series 2005A	4	2045	4.250%	2,751,000	2,548,829
Water and Sewer, Series 2005B	5	2045	4.250%	750,000	694,884
Water System, Series 2009	6	2045	4.375%	1,209,309	1,145,762
Stormwater Revenue, Series 1998	7	2013	4.600%	1,200,000	110,000
Mobile Home Park Revenue, Series 2000	8	2015	5.450%	440,000	85,000
Installation notes and leases payable:					
None					
Total business-type activities					<u>\$ 4,695,000</u>

Purpose:

- 1 Resurface City streets
- 2 Purchase Kubota tractor secured by the equipment
- 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

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

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**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 2011 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 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.

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

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
5th Cent local option gas tax revenues	09/01/2028	\$ 1,822,364	\$ 121,491	\$ 162,224	133.53%
Water and sewer revenues combined	09/01/2048	\$ 8,386,802	\$ 271,925	\$ 368,141	135.38%
Water system revenues only	09/01/2048	\$ 2,259,042	\$ 64,553	\$ 175,469	271.82%
Stormwater revenues	11/01/2013	\$ 112,586	\$ 112,599	\$ 124,577	110.64%
Mobile home park revenues	05/01/2015	\$ 92,184	\$ 46,908	\$ 162,940	347.36%

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

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

Annual debt service requirements as of September 30, 2013, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 99,615	\$ 59,103	\$ 227,722	\$ 200,795
2015	103,952	54,765	125,456	192,573
2016	71,253	50,238	83,307	186,545
2017	74,239	47,252	86,280	182,882
2018	77,350	44,141	89,380	179,090
2019 - 2023	438,164	169,290	470,619	834,430
2024 - 2028	537,981	69,474	529,183	730,275
2029 - 2033			652,500	606,958
2034 - 2038			804,561	454,897
2039 - 2043			992,065	267,392
2044 - 2048			633,927	60,733
<b>Total</b>	<b>\$ 1,402,554</b>	<b>\$ 494,263</b>	<b>\$ 4,695,000</b>	<b>\$ 3,896,570</b>

Interest costs for the governmental activities totaled \$62,572 for the year ended September 30, 2013. Interest and other debt service costs incurred in the business-type activities totaled \$210,795 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
Sewer Fund	Series 2005A & B	46,650	1,166	37,320
Water Fund	Series 2009	17,424	436	15,246
Stormwater Fund	Series 1998	23,972	428	
Mobile Home Park Fund	Series 2000	12,906	922	922
<b>Total</b>		<b>\$100,952</b>	<b>\$2,952</b>	<b>\$53,488</b>

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

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**NOTE 7 - RESTRICTED NET POSITION**

The water utility fund, sewer utility fund, mobile home park fund, and the stormwater utility fund each had revenue bonds outstanding at September 30, 2013. The ordinances authorizing the issuance of these bonds require 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 restricted net position, as of September 30, 2013:

	<u>Restricted Net Position</u>
<b><u>Governmental Funds/Activities</u></b>	
Law enforcement	\$ 8,859
Community redevelopment	<u>42,039</u>
Total	<u><u>\$ 50,898</u></u>
 <b><u>Enterprise Funds/Business-type Activities</u></b>	
<b>Water Fund:</b>	
2009 sinking fund	\$ 1,202
2009 bond reserve	<u>34,441</u>
Restricted for debt service	35,643
Water impact fees restricted for system improvements	<u>78,932</u>
Total	<u><u>\$ 114,575</u></u>
<b>Sewer Fund:</b>	
1982 sinking fund	\$ 1,151
1982 bond reserve	19,342
2005A and 2005B sinking fund	4,124
2005A and 2005B reserve	<u>149,871</u>
Restricted for debt service	174,488
Sewer impact fees restricted for system improvements	<u>128,369</u>
Total	<u><u>\$ 302,857</u></u>
<b>Stormwater Fund:</b>	
1998 sinking fund	\$ 100,833
Total	<u><u>\$ 100,833</u></u>
<b>Mobile Home Park</b>	
2000 sinking fund	\$ 16,667
Total	<u><u>\$ 16,667</u></u>

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

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**NOTE 8 - INTERFUND ACCOUNTS**

Due to/due froms are expected to be repaid shortly after year end. Advances are not expected to be repaid out of current resources. At September 30, 2013, the balance in due from/to and advances to other funds consisted of the following:

Receivable Fund	Payable Fund	Amount
<b>Due to/froms:</b>		
None	None	\$
Total		-
<b>Advances to/froms:</b>		
General Fund	Water Fund	166,316
Total		166,316
Total in government-wide statements		\$ 166,316

The transfers from the enterprise funds to the general fund are per budget and supplement general fund revenues. The transfer from the water fund to the sewer fund covered a cash shortage.

Receiving Fund	Paying Fund	Amount
General Fund	Electric Fund	\$ 563,926
General Fund	Mobile Home Park Fund	110,000
General Fund	Solid Waste Fund	15,920
Fund-level interfund transfers		689,846
Eliminated in combining activities		-
Combined government-wide total		\$ 689,846
Among enterprise funds:		
Sewer Fund	Water Fund	\$ 83,478

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

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**NOTE 9 - RETIREMENT TRUST FUNDS**

**Plan Description** - The City Commission is the administrator of three single-employer public employee retirement systems established by City Ordinance to provide pension benefits for its employees. The City maintains separate plans for its police officers, fire fighters and other general 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 and has elected not to participate in this plan. The systems do not prepare stand-alone financial reports. The Plans have the following participants:

	as of October 1, 2012		
	General Employees'	Police Officers' Fund	Firefighters' Fund
Retirees and beneficiaries			
currently receiving benefits	17	5	8
Terminated vested employees	17	8	5
Active employees:			
Vested	14		11
Nonvested	25		9
Totals	73	13	33

**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  
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**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 not to exceed 36 months.

**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, 2013

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**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. Employer contribution rates for the police officers' plan are determined using the unit credit method. For the general employee and firefighter plans, 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, 2013

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**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, 2012, 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	14.06%	N/A	16.21%
Plan members	0.00%	0.00%	0.00%
Annual pension cost/ARC	\$166,886	\$35,416	\$11,048
Contributions made	\$166,886	\$35,416	\$11,048

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, 2013

**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, 2012	October 1, 2012	October 1, 2012
Actuarial cost method	Frozen entry age	Unit Credit	Frozen entry age
Amortization method	Level dollar, closed 30 Year	Open 15 year	Level dollar, closed 30 Year
Remaining amortization period	16 years	N/A	16 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 reported in the entity-wide financial statements.

Year Ended	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation (Asset)
	Employer	State	Total		
<b>General Employees' Plan</b>					
2013	\$ 166,886	\$ -	\$ 166,886	100%	\$ (176)
2012	\$ 195,849	\$ -	\$ 195,849	100%	\$ (176)
2011	\$ 162,888	\$ -	\$ 162,888	100%	\$ (176)
<b>Police Officers' Plan</b>					
2013	\$ 35,416	\$ -	\$ 35,416	100%	\$ -
2012	\$ 31,899	\$ -	\$ 31,899	100%	\$ -
2011	\$ 21,803	\$ -	\$ 21,803	100%	\$ -
<b>Firefighters' Plan</b>					
2013	\$ 11,048	\$ -	\$ 11,048	125%	\$ (6,967)
2012	\$ 13,123	\$ -	\$ 13,123	125%	\$ (6,967)
2011	\$ 14,783	\$ -	\$ 14,783	100%	\$ (3,712)

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
 September 30, 2013

**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)
<b>General Employees' Plan</b>						
10/01/2012	\$ 3,635,759	\$ 3,895,463	\$ 259,704	93.33%	\$ 1,115,668	23.28%
<b>Police Officers' Plan</b>						
10/01/2012	\$ 1,222,892	\$ 1,483,864	\$ 260,972	82.41%	NA	NA
<b>Firefighters' Plan</b>						
10/01/2012	\$ 331,162	\$ 343,341	\$ 12,179	96.45%	\$ 64,606	18.85%

\* 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 an annual basis and the October 1, 2012 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, 2013

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**NOTE 10 - EMPLOYEE FLEX BENEFIT PLAN**

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

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

**NOTE 11 - SEGMENT INFORMATION**

The following information is included for the Mobile Home Park Fund which has outstanding bonds secured by a pledge of its net revenues.

	<b>Mobile Home Park Fund</b>
<b>CONDENSED STATEMENTS OF NET POSITION</b>	
<b>ASSETS</b>	
Current assets	\$ 5,981
Restricted assets	18,640
Capital assets, net	297,242
Other assets	922
<b>TOTAL ASSETS</b>	<b>322,785</b>
<b>LIABILITIES</b>	
Current liabilities	47,069
Liabilities payable from restricted assets	1,973
Noncurrent liabilities	45,000
<b>TOTAL LIABILITIES</b>	<b>94,042</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	213,164
Restricted	16,667
Unrestricted	(1,088)
<b>TOTAL NET POSITION</b>	<b>\$ 228,743</b>

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2013

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**NOTE 11 - SEGMENT INFORMATION** (cont...)

	<b>Mobile Home Park Fund</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	
<b>OPERATING REVENUES</b>	<b>\$ 384,119</b>
<b>OPERATING EXPENSES:</b>	
Depreciation	15,051
Other	223,138
Total operating expenses	238,189
<b>OPERATING INCOME</b>	<b>145,930</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>	(4,942)
<b>TRANSFERS IN (OUT)</b>	<b>(110,000)</b>
Change in net position	30,988
<b>TOTAL NET POSITION - beginning of year</b>	<b>197,755</b>
<b>TOTAL NET POSITION - end of year</b>	<b>\$ 228,743</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>	
<b>CASH FLOWS FROM:</b>	
Operating activities	<b>\$ 160,633</b>
Noncapital financing activities	(111,240)
Capital and related financing activities	(46,907)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,486</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>19,568</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 22,054</b>

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2013

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**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 2013 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, 2013

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**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, 2014. 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.

**Contract with Polk County Sheriff** - The original five year agreement expired as of September 30, 2013 and automatically renews annually. The total annual cost is approximately \$1.1 million and is payable quarterly.

**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 has only one retiree receiving coverage, which has only a minimal effect on its premium rates. Accordingly, 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.

**NOTE 15 - SUBSEQUENT EVENTS**

On December 2, 2013, the City sold its natural gas system to an unrelated party. The net sales proceeds were \$777,690 resulting in a gain on sale of approximately \$700,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
For the year ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ 1,394,294	\$ 1,394,294	\$ 1,383,787	\$ (10,507)
Licenses and permits	145,000	145,000	140,563	(4,437)
Intergovernmental revenue	731,228	731,228	727,563	(3,665)
Charges for services	14,800	14,800	14,521	(279)
Fines and forfeitures	117,992	117,992	97,546	(20,446)
Inter-fund service charges	300,000	300,000	260,000	(40,000)
Interest and miscellaneous	69,804	86,504	64,172	(22,332)
Total revenues	<u>2,773,118</u>	<u>2,789,818</u>	<u>2,688,152</u>	<u>(101,666)</u>
<b>EXPENDITURES:</b>				
General government:				
Legislative	62,832	64,632	58,725	5,907
Executive	175,811	163,757	150,627	13,130
Finance	491,609	508,077	500,762	7,315
Planning	127,098	136,034	104,195	31,839
Other general government	119,403	144,234	140,110	4,124
Public safety:				
Police	1,110,314	1,111,148	1,147,539	(36,391)
Fire	215,360	208,260	201,740	6,520
Inspections	116,664	114,755	112,648	2,107
Transportation-streets	384,281	351,291	345,499	5,792
Culture/Recreation:				
Library	221,591	221,591	212,638	8,953
Recreation	161,307	202,721	198,872	3,849
Parks	294,978	271,448	273,183	(1,735)
Total expenditures	<u>3,481,248</u>	<u>3,497,948</u>	<u>3,446,538</u>	<u>51,410</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(708,130)	(708,130)	(758,386)	(50,256)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	708,130	708,130	689,846	(18,284)
Total other financing sources	<u>708,130</u>	<u>708,130</u>	<u>689,846</u>	<u>(18,284)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$</u>	<u>\$</u>	<u>\$ (68,540)</u>	<u>\$ (68,540)</u>

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**COMMUNITY REDEVELOPMENT AGENCY**  
For the year ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
None	\$	\$	\$	\$
Total revenues				
<b>EXPENDITURES:</b>				
Economic environment				
Travel	800	800		800
Other current charges	1,200	1,200	275	925
Local business grants	10,000	10,000		10,000
Total expenditures	12,000	12,000	275	11,725
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(12,000)	(12,000)	(275)	11,725
<b>OTHER FINANCING SOURCES (USES):</b>				
Reappropriation of prior year fund balance	12,000	12,000		(12,000)
Total other financing sources	12,000	12,000		(12,000)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$</u>	<u>\$</u>	<u>\$ (275)</u>	<u>\$ (275)</u>

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

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A statement 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.

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSION TRUST FUNDS  
SCHEDULE 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)
10/01/2012	\$ 3,635,759	\$ 3,895,463	\$ 259,704	93.33%	\$ 1,115,668	23.28%
10/01/2011	\$ 3,639,488	\$ 4,306,503	\$ 667,015	84.51%	\$ 1,149,360	58.03%
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%

**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)
10/01/2012	\$ 1,222,892	\$ 1,483,864	\$ 260,972	82.41%	\$ NA	NA
10/01/2011	\$ 1,315,360	\$ 1,522,133	\$ 206,773	86.42%	\$ NA	NA
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%

\*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)
10/01/2012	\$ 331,162	\$ 343,341	\$ 12,179	96.45%	\$ 64,606	18.85%
10/01/2011	\$ 345,774	\$ 383,677	\$ 37,903	90.12%	\$ 69,768	54.33%
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%

# **COMBINING FINANCIAL STATEMENTS**

**CITY OF FORT MEADE, FLORIDA**  
**COMBINING STATEMENT OF NET POSITION - NON-MAJOR ENTERPRISE FUNDS**  
As of September 30, 2013

	<b>Business Type Activities - Non-Major Funds</b>			<b>Total</b>
	<b>Natural Gas Utility</b>	<b>Mobile Home Park Fund</b>	<b>Solid Waste Fund</b>	
<b>ASSETS</b>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 91,149	\$ 3,414	\$ 98,697	\$ 193,260
Receivables, net				
Customers	28,893	2,567	65,432	96,892
Inventory	13,977			13,977
Total current assets	<u>134,019</u>	<u>5,981</u>	<u>164,129</u>	<u>304,129</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents	42,280	18,640		60,920
Capital assets, net				
Non-depreciable		10,864		10,864
Depreciable	82,283	286,378		368,661
Unamortized bond issue costs		922		922
Total noncurrent assets	<u>124,563</u>	<u>316,804</u>	<u>164,129</u>	<u>441,367</u>
<b>TOTAL ASSETS</b>	<u>258,582</u>	<u>322,785</u>	<u>164,129</u>	<u>745,496</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	9,435	5,244	32,252	46,931
Accrued wages and benefits	3,122	1,825		4,947
Bonds and notes payable, current portion		40,000		40,000
Total current liabilities	<u>12,557</u>	<u>47,069</u>	<u>32,252</u>	<u>91,878</u>
Noncurrent liabilities:				
Compensated absences	12,046			12,046
Payable from restricted assets:				
Accrued interest payable		1,973		1,973
Customer deposits	42,280			42,280
Bonds and notes payable, noncurrent portion		45,000		45,000
Total noncurrent liabilities	<u>54,326</u>	<u>46,973</u>	<u>32,252</u>	<u>101,299</u>
<b>TOTAL LIABILITIES</b>	<u>66,883</u>	<u>94,042</u>	<u>32,252</u>	<u>193,177</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	82,283	213,164		295,447
Restricted for:				
Debt service		16,667		16,667
Unrestricted	109,416	(1,088)	131,877	240,205
<b>TOTAL NET POSITION</b>	<u>\$ 191,699</u>	<u>\$ 228,743</u>	<u>\$ 131,877</u>	<u>\$ 552,319</u>

**CITY OF FORT MEADE, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION - NON-MAJOR ENTERPRISE FUNDS**  
For the year ended September 30, 2013

	<b>Business Type Activities - Non-Major Funds</b>			<b>Total</b>
	<b>Natural Gas Utility</b>	<b>Mobile Home Park Fund</b>	<b>Solid Waste Fund</b>	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 269,968	\$ 384,119	\$ 419,733	\$ 1,073,820
Total operating income	<u>269,968</u>	<u>384,119</u>	<u>419,733</u>	<u>1,073,820</u>
<b>OPERATING EXPENSES:</b>				
Personal services	64,717	15,934		80,651
Purchases for resale	89,293			89,293
Operating expenses	65,315	207,204	428,930	701,449
Depreciation	9,350	15,051		24,401
Total operating expenses	<u>228,675</u>	<u>238,189</u>	<u>428,930</u>	<u>895,794</u>
<b>OPERATING INCOME</b>	<u>41,293</u>	<u>145,930</u>	<u>(9,197)</u>	<u>178,026</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>				
Interest revenue	23			23
Interest expense		(6,900)		(6,900)
Other, net	120	1,958		2,078
Total nonoperating revenues (expenses)	<u>143</u>	<u>(4,942)</u>		<u>(4,799)</u>
Income (loss) before contributions and transfers	41,436	140,988	(9,197)	173,227
<b>TRANSFERS IN (OUT)</b>		<u>(110,000)</u>	<u>(15,920)</u>	<u>(125,920)</u>
Change in net position	41,436	30,988	(25,117)	47,307
<b>TOTAL NET POSITION - beginning of year</b>	<u>150,263</u>	<u>197,755</u>	<u>156,994</u>	<u>505,012</u>
<b>TOTAL NET POSITION - end of year</b>	<u>\$ 191,699</u>	<u>\$ 228,743</u>	<u>\$ 131,877</u>	<u>\$ 552,319</u>

**CITY OF FORT MEADE, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR ENTERPRISE FUNDS**  
For the year ended September 30, 2013

	Business Type Activities - Non-Major Funds			
	Natural Gas Utility	Mobile Home Park Fund	Solid Waste Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 269,816	\$ 383,002	\$ 409,684	\$ 1,062,502
Payments to suppliers	(151,003)	(206,374)	(428,316)	(785,693)
Payments for salaries and benefits	(64,267)	(15,995)		(80,262)
Net cash flows from operating activities	<u>54,546</u>	<u>160,633</u>	<u>(18,632)</u>	<u>196,547</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Increase (decrease) in customer deposits	(1,800)			(1,800)
Other nonoperating income/(loss)	120	1,958		2,078
Transfers (to) from other funds, net of change in due to/from		(113,198)	(15,920)	(129,118)
Net cash flows from noncapital financing activities	<u>(1,680)</u>	<u>(111,240)</u>	<u>(15,920)</u>	<u>(128,840)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets, net of related payables				-
Principal paid on notes, bonds and lease obligations		(40,000)		(40,000)
Interest paid on borrowings		(6,907)		(6,907)
Net cash flows from capital and related financing activities	<u>-</u>	<u>(46,907)</u>	<u>-</u>	<u>(46,907)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on invested funds and other	23			23
Net cash flows from investing activities	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>52,889</b>	<b>2,486</b>	<b>(34,552)</b>	<b>20,823</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>80,540</b>	<b>19,568</b>	<b>133,249</b>	<b>233,357</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 133,429</u></b>	<b><u>\$ 22,054</u></b>	<b><u>\$ 98,697</u></b>	<b><u>\$ 254,180</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income / (loss)	\$ 41,293	\$ 145,930	\$ (9,197)	\$ 178,026
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	9,350	15,051		24,401
(Increase) decrease in inventory	2,289			2,289
(Increase) decrease in accounts receivable	(152)	(1,117)	(10,049)	(11,318)
Increase (decrease) in accounts payable	1,316	830	614	2,760
Increase (decrease) in accrued wages	299	(61)		238
Increase (decrease) in accrued comp absences	151			151
Net cash flows from operating activities	<u>\$ 54,546</u>	<u>\$ 160,633</u>	<u>\$ (18,632)</u>	<u>\$ 196,547</u>
<b>Noncash financing and investing activities -</b>				
None	\$ None	None	None	-



**CITY OF FORT MEADE, FLORIDA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION FUNDS**  
As of September 30, 2013

	Pension Trust Funds			Total
	General Employees	Police Pension	Fire Pension	
<b>ASSETS</b>				
Receivables:				
Contributions receivable	\$ 35,873	\$ 67,315	\$ 353	\$ 103,541
Total receivables	35,873	67,315	353	103,541
Investments, at fair market value:				
Cash and short-term money market funds	51,970	15,890	4,582	72,442
Fixed income securities	1,551,112	474,268	136,764	2,162,144
Equity securities	2,394,628	732,181	211,139	3,337,948
Total investments	3,997,710	1,222,339	352,485	5,572,534
<b>Total assets</b>	<b>4,033,583</b>	<b>1,289,654</b>	<b>352,838</b>	<b>5,676,075</b>
<b>LIABILITIES</b>				
Accounts payable	7,802	2,564	780	11,146
<b>Total liabilities</b>	<b>7,802</b>	<b>2,564</b>	<b>780</b>	<b>11,146</b>
<b>NET POSITION</b>	<b>\$ 4,025,781</b>	<b>\$ 1,287,090</b>	<b>\$ 352,058</b>	<b>\$ 5,664,929</b>

**CITY OF FORT MEADE, FLORIDA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY**  
**NET POSITION - PENSION FUNDS**  
For the year ended September 30, 2013

	<b>Pension Trust Funds</b>			<b>Total</b>
	<b>General Employees</b>	<b>Police Pension</b>	<b>Fire Pension</b>	
<b>ADDITIONS</b>				
Contributions:				
City	\$ 166,886	\$ 35,416	\$ 11,048	\$ 213,350
Total contributions	<u>166,886</u>	<u>35,416</u>	<u>11,048</u>	<u>213,350</u>
Investment income (loss):				
Net investment income	532,700	172,182	46,581	751,463
Investment fees	<u>(9,462)</u>	<u>(3,023)</u>	<u>(456)</u>	<u>(12,941)</u>
Net investment income (loss)	<u>523,238</u>	<u>169,159</u>	<u>46,125</u>	<u>738,522</u>
<b>Total additions</b>	<u>690,124</u>	<u>204,575</u>	<u>57,173</u>	<u>951,872</u>
<b>DEDUCTIONS</b>				
Administrative expenses:				
Actuarial	9,664	4,359	1,463	15,486
Legal	27,995	10,114	2,905	41,014
Custodial and other fees	<u>7,078</u>	<u>3,344</u>	<u>1,599</u>	<u>12,021</u>
Total administrative expenses	44,737	17,817	5,967	68,521
Benefits and termination payments	<u>180,847</u>	<u>90,672</u>	<u>25,172</u>	<u>296,691</u>
<b>Total deductions</b>	<u>225,584</u>	<u>108,489</u>	<u>31,139</u>	<u>365,212</u>
<b>NET INCREASE (DECREASE)</b>	464,540	96,086	26,034	586,660
NET POSITION, beginning of year	<u>3,561,241</u>	<u>1,191,004</u>	<u>326,024</u>	<u>5,078,269</u>
NET POSITION, end of year	<u>\$ 4,025,781</u>	<u>\$ 1,287,090</u>	<u>\$ 352,058</u>	<u>\$ 5,664,929</u>

# **GOVERNMENTAL AUDITING SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Meade, Florida (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon December 6, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Purvis, Gray and Company, LLP*

December 6, 2013  
Sarasota, Florida

## MANAGEMENT LETTER

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

We have audited the financial statements of the City of Fort Meade, Florida (the City) as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated December 6, 2013.

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 independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. Disclosures in that report, which is dated December 6, 2013, 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 governs 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 the one finding/recommendation made in the preceding annual financial audit report, as described below:
  - **2009-04—Expenditures in Excess of Budgeted Appropriations** – In prior years, we noted that several general fund departments exceeded their budgeted appropriation. While two departments went over budget again in 2013, the City has improved its procedures over monitoring budgetary compliance to a level where we consider our finding resolved.
- 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.

### Certified Public Accountants

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

## MANAGEMENT LETTER

(Concluded)

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *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 and component unit is made in Note 1.
- Section 10.554(1)(i)6.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)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)6.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.

Our management letter is intended solely for the information and use of the City Commission, management, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and federal and other granting agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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

*Purvis, Gray and Company, LLP*

December 6, 2013  
Sarasota, Florida