

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

September 30, 2014

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

**September 30, 2014**

**CITY COMMISSION**

**Mayor, Commissioner**

Robert Elliot

**Commissioner**

Rick Cochrane

**Commissioner**

Barbara Manley

**Vice Mayor, Commissioner**

Maurice Nelson

**Commissioner**

James Watts

**APPOINTED OFFICIALS**

**City Manager**

Fred Hilliard

**City Attorney**

Gray Robinson

CITY OF FORT MEADE, FLORIDA

September 30, 2014

TABLE OF CONTENTS

Management’s Discussion and Analysis ..... M1

Independent Auditors’ Report ..... 1-2

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position ..... 3  
Statement of Activities ..... 4

Fund Financial Statements:

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

Required Supplementary Information

Budgetary Statements:

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - General Fund ..... 44  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual - Community Redevelopment Agency ..... 45  
Notes to Schedule of Revenues, Expenditures, and Changes in Fund  
Balance - Budget and Actual ..... 46

CITY OF FORT MEADE, FLORIDA

SEPTEMBER 30, 2014

**TABLE OF CONTENTS**

**Required Supplementary Information (cont...)**

Pension Plan Schedules:

Schedule of Changes in Net Pension Liability and Related Ratios .....	47
Schedule of Contributions .....	48
Notes to Schedule of Contributions .....	49
Schedule of Investment Returns .....	50

**Combining Financial Statements**

Combining Statement of Net Position - Nonmajor Enterprise Fund .....	51
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds .....	52
Combining Statement of Cash Flows - Nonmajor Enterprise Funds .....	53
Combining Statement of Fiduciary Net Position - Pension Trust Funds .....	54
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds .....	55

**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 in Accordance with <i>Governmental Auditing Standards</i> .....	56-57
Independent Accountants' Report on Compliance with Section 218.415 Florida Statutes .....	58
Management letter .....	59-61
Managements' Response to Audit Findings	

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**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, 2014. 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 \$16,365,200 (net position). Of this amount, \$4,390,871 (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 increased by \$169,349 during 2014. Net position of governmental activities decreased by \$171,713 while net position of business-type activities increased by \$341,062.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$994,014 an increase of \$58,736 for the year. Of the total fund balance, \$654,607 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, 2014**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

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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 natural gas system was sold during the year and generated a gain on sale of \$724,102.

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 resources that can easily and quickly 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, 2014**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

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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 a 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, 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, 2014**  
**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 14-43 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's pension plans, as well as budgetary comparison information for the General Fund and the Community Redevelopment Agency. Required supplementary information can be found on pages 44-50 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 51-55. 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, 2014**  
**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:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Current and other assets	\$1,113,542	\$1,112,850	\$5,109,187	\$4,716,492	\$6,222,729	\$5,829,342
Capital assets	5,259,471	5,595,263	12,121,426	12,026,860	17,380,897	17,622,123
<b>Total assets</b>	<b>6,373,013</b>	<b>6,708,113</b>	<b>17,230,613</b>	<b>16,743,352</b>	<b>23,603,626</b>	<b>23,451,465</b>
Current and other liabilities	120,403	176,085	1,028,134	880,914	1,148,537	1,056,999
Long-term obligations	1,367,997	1,475,702	4,721,892	4,722,913	6,089,889	6,198,615
<b>Total liabilities</b>	<b>1,488,400</b>	<b>1,651,787</b>	<b>5,750,026</b>	<b>5,603,827</b>	<b>7,238,426</b>	<b>7,255,614</b>
Net position:						
Invested in capital assets, net of related debt	3,956,531	4,192,709	7,421,600	7,385,348	11,378,131	11,578,057
Restricted	142,849	96,099	453,349	534,932	596,198	631,031
Unrestricted	785,233	767,518	3,605,638	3,219,245	4,390,871	3,986,763
<b>Total net position</b>	<b>\$4,884,613</b>	<b>\$5,056,326</b>	<b>\$11,480,587</b>	<b>\$11,139,525</b>	<b>\$16,365,200</b>	<b>\$16,195,851</b>

The City's assets exceeded its liabilities by \$16,365,200 (net position) at the close of the fiscal year, an increase of \$169,349 over the prior year.

A substantial portion of the City's net position (70%) 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, \$4,390,871 (27%), may be used to meet the government's ongoing obligations to citizens and creditors.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**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:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$187,173	\$181,682	\$7,756,961	\$7,871,210	\$7,944,134	\$8,052,892
Operating grants and contributions	155,717	137,619			155,717	137,619
Capital grants and contributions	4,496	5,478	16,552	27,857	21,048	33,335
General revenues:						
Property taxes	482,729	471,155			482,729	471,155
Other taxes	1,015,916	1,000,834			1,015,916	1,000,834
Other revenues	673,162	631,385	786,495	47,380	1,459,657	678,765
<b>Total revenues</b>	<b>2,519,193</b>	<b>2,428,153</b>	<b>8,560,008</b>	<b>7,946,447</b>	<b>11,079,201</b>	<b>10,374,600</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
General government	732,482	720,911			732,482	720,911
Law enforcement	1,167,266	1,150,337			1,167,266	1,150,337
Fire	223,941	204,864			223,941	204,864
Building inspections	104,947	113,438			104,947	113,438
Road and streets	414,480	476,125			414,480	476,125
Library	215,855	217,973			215,855	217,973
Recreation	152,613	177,792			152,613	177,792
Parks	320,938	304,706			320,938	304,706
Interest on long-term debt	58,384	62,572			58,384	62,572
<b>Business-type Activities:</b>						
Electric			4,951,835	4,761,580	4,951,835	4,761,580
Water			696,812	505,273	696,812	505,273
Sewer			1,055,125	915,412	1,055,125	915,412
Stormwater			74,159	101,640	74,159	101,640
Natural gas			61,297	228,675	61,297	228,675
Mobile home park			206,757	245,089	206,757	245,089
Solid waste			419,473	428,930	419,473	428,930
<b>Total expenses</b>	<b>3,390,906</b>	<b>3,428,718</b>	<b>7,465,458</b>	<b>7,186,599</b>	<b>10,856,364</b>	<b>10,615,317</b>
Increase (decrease) in net position before transfers	(871,713)	(1,000,565)	1,094,550	759,848	222,837	(240,717)
Transfers	700,000	689,846	(700,000)	(689,846)		
Increase (decrease) in net position	(171,713)	(310,719)	394,550	70,002	222,837	(240,717)
<b>Net position - October 1</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>
<b>Adoption of GASB 65</b>			<b>(53,488)</b>		<b>(53,488)</b>	
<b>Net position - September 30</b>	<b>\$4,884,613</b>	<b>\$5,056,326</b>	<b>\$11,480,587</b>	<b>\$11,139,525</b>	<b>\$16,365,200</b>	<b>\$16,195,851</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

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**Governmental Activities**

Governmental activities decreased the City's net position by \$171,713 (after transfers), as compared to a decrease of \$310,719 for the prior year. The improvement over the prior year is due to an increase in revenues of 4% and a slight decrease in expenses primarily the result of across the board expense control.

**Business-type Activities**

Business-type activities increased the City's net position by \$394,550 (after transfers), as compared to an increase of \$70,002 for the previous year. The current year improvement is primarily due to a gain on the sale of the gas system of \$724,102, partially offset by a 4% increase in expenses.

**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 \$994,014, of which \$654,607 represented *unassigned fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. This compares to \$935,278 and \$662,897 respectively, for the prior year.

In terms of the governmental funds' liquidity, unassigned fund balance at the end of the current year and previous year represented 19% of total annual governmental funds expenditures.

Total governmental revenue, excluding "other financing sources" and "transfers in", was up 1% over the prior year and expenditures were down 2.5% compared to the prior year. Net transfers from the enterprise funds into the government funds were nearly the same (\$700,000) as the previous year (\$689,846).

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**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 44 and 45 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 44. 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, 2014, amounts to \$17,380,897 compared to \$17,622,123 as of the end of the previous year which is a net decrease of \$241,226 inclusive of depreciation of \$997,790. Depreciation for the previous year was \$1,026,659. 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 \$23,944 and depreciation expense was \$359,736 compared to depreciation of \$379,129 for the previous year. Capital asset additions for the business-type activities totaled \$814,903 and depreciation was \$638,054 compared to depreciation of \$647,530 for the previous year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**CITY OF FORT MEADE, FLORIDA**  
*(Continued)*

Following is a summary of capital assets:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</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	2,161,266	2,149,964	20,046,559	19,976,937	22,207,825	22,126,901
Equipment	1,632,978	1,588,726	1,803,010	1,553,884	3,435,988	3,142,610
Road network	10,293,736	10,293,736			10,293,736	10,293,736
Less: Accumulated depreciation	(9,674,707)	(9,283,361)	(10,192,981)	(9,968,799)	(19,867,688)	(19,252,160)
<b>Net</b>	<b>\$5,259,471</b>	<b>\$5,595,263</b>	<b>\$12,121,426</b>	<b>\$12,026,860</b>	<b>\$17,380,897</b>	<b>\$17,622,123</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 \$6,002,767 (excluding accrued compensated absences) compared to \$6,097,554 at the previous year end, a decrease of \$94,787 due to \$284,771 of new debt being issued and regular principal payments of \$379,558. The following is a summary of the outstanding debt:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenue notes	\$1,267,375	\$1,333,013	\$4,467,278	\$4,695,000	\$5,734,653	\$6,028,013
Notes and leases payable	35,565	69,541	232,549		268,114	69,541
<b>Total</b>	<b>\$1,302,940</b>	<b>\$1,402,554</b>	<b>\$4,699,827</b>	<b>\$4,695,000</b>	<b>\$6,002,767</b>	<b>\$6,097,554</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, 2014**  
**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 and incentives for the development of Brownfields areas and reclaimed property, combined with advancements in geotechnical engineering have changed the way reclaimed property is viewed as potential residential, commercial and industrial sites. With incentives for development and advancement in geotechnical engineering principles, Brownfields areas are capturing the interest of investors to our region. Combining these innovative ideas with the area's access to the electric grid, as well as an excellent transportation network and central location, it presents the community and region with an opportunity for growth.

For example, the siting for the US Ecogen Biomass Power Plant in North Fort Meade, on reclaimed property, is underway and with the anticipation of breaking ground in the spring of 2015 for this 63+/- megawatt biomass generating unit. Further, this plant will be producing power in early 2018 for Duke Energy. The estimated value for this facility is projected to be \$250,000,000 +/- dollars and will be creating 45 technical jobs at the plant site and additional 55 full-time jobs in the region which will support the eucalyptus plantations that will be producing the boiler fuel. The development of this project in the City of Fort Meade will have a major impact on the success of the community.

Additionally, the City of Fort Meade is fortunate to have three projects up and running in our area. The first is a company, JDC that has developed a process which recovers low grade phosphate rock from previously mined area, while Mosaic has utilized 16,000+/- acres of their reclaimed property to construct and operate a world class convention and recreational facility. The third project was Joy Global joining the community in the last part of the year, and is establishing and setting up a regional equipment operation to service the phosphate mining operations in the region as well as providing an additional 30 jobs.

With regard to JDC, what started out as an experimental process to extract low grade phosphate rock from previously mined areas is turning into a real winner for the company. The environmentally-friendly process they have developed is eliminating the production of sulfuric acid and gypsum in the recovery of phosphate. The innovative facility that JDC started with in 2013, is now being duplicated in other countries which produce phosphate. JDC's humble beginnings on an abandoned industrial site using salvaged equipment and can now be seen around the globe, bringing in world visitors to our community.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**CITY OF FORT MEADE, FLORIDA**

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

As to the opening of Mosaic's Streamsong Resort and Conference Center in 2014, as well as the golf course in 2013, we have noticed a renewed interest in the community. The amenities offered at Streamsong consist of recreational venues such as golf, fishing, sporting clays and hunting to their guests and they are located 15 miles west of the City. However, the facility's proximity to the community will not have an instant economic impact on the City, yet as the use of the resort and operations expand, it will open up business opportunities in the City for support services as well as for guests.

At present, the City of Fort Meade is facing changes both internally and regionally regarding our community's future as well as the regional growth that will impact the City. This change is due to a result of growth in the region and/or the community and it is not easily dealt with when controlled by outside influences. Further compounding the problem is the fact that the City is facing a wide range of issues itself. These issues range from infrastructure, land use regulations and extension of services into new areas while upgrading service to the older section of the community. Balancing these concerns will require a planned approach to finance, construction and implementation while maintaining and serving the community. Therefore, the Budget Goals for Fiscal Year 2014 -2015 are as follows:

- With the Feasibility Study completed for the Peace River Park & RV at the direction of the City Commission, the staff will be seeking funding opportunities and private developers to pursue the development of the facility.
- Electrical System – The City has established its Contract Rate of Demand (CROD) with the All Requirements Project with the load set at 10.360 (MW). The City staff and consultant will be developing a program to help reduce this 10.36 (MW) purchase from the ARP by implementing new rate structures, limiting use of irrigation pumps, and establishing a time of day use.
- Water System – With the rate increase and the improved metering, this system's financing has been improving and all the radio read meters will be in place by the spring of 2015. With this phase of the plan completed, the staff has been able identify several key components in the water system that need attention. These include the replacement of old 2" water mains and broken fire hydrants. As a result, the staff will be working to secure funding for an engineering study to identify the deficiencies in the distribution system.
- Sewer System – With the rate increase in place, this system's financing has been improving as well. The outstanding issue with the waste water system is the use of the system by Bio Solids and the solids they are discharging into the system. Further, the City has requested and received the system engineer's report on the system and the City Commission will be asked to approve this plan that will improve the system. From there, staff will be instructed to work to secure funding for the improvements.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**CITY OF FORT MEADE, FLORIDA**

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

- Stormwater System – With the implementation of the new storm water rates in October of 2014, the City staff is continuing to work with the property owners regarding credits for on-site retention. We are experiencing some difficulties with the present billing system were by some residents are receiving two bills for stormwater.
- Downtown Vision – The Central Florida Planning Council secured a grant from the Florida Department of Economic Opportunity to develop a Downtown Vision Plan for the City of Fort Meade. The plan was completed last fall and presented to the City Commission. The Commission has directed the staff to use this document to secure funding for the improvements in the project and to work with the CRA Board in their coordination with the existing façade grants program.

# **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, 2014, 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, 2014, 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 January 8, 2015, 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*

January 8, 2015  
Sarasota, Florida

# **FINANCIAL STATEMENTS**

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF NET POSITION**  
As of September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 643,951	\$ 2,616,474	\$ 3,260,425
Receivables, current:			
Customer accounts, net	61,425	1,522,968	1,584,393
Intergovernmental	85,367		85,367
Franchise and service taxes	20,000		20,000
Inventories	3,143	279,144	282,287
Prepaid expenses	22,161		22,161
Net pension asset	4,063		4,063
Inter-fund balances, net	166,316	(166,316)	
Restricted assets:			
Equity in pooled cash and cash equivalents	107,116	856,917	964,033
Capital assets:			
Non-depreciable	846,198	464,838	1,311,036
Depreciable, net	4,413,273	11,656,588	16,069,861
<b>TOTAL ASSETS</b>	<b>6,373,013</b>	<b>17,230,613</b>	<b>23,603,626</b>
<b>LIABILITIES</b>			
Accounts payable	66,850	608,464	675,314
Accrued wages and benefits	41,877	16,102	57,979
Accrued interest payable	4,938	16,885	21,823
Due to other governments	6,738		6,738
Customer deposits		386,683	386,683
Long-term obligations:			
Due within one year	103,953	168,399	272,352
Due in more than one year	1,264,044	4,553,493	5,817,537
<b>TOTAL LIABILITIES</b>	<b>1,488,400</b>	<b>5,750,026</b>	<b>7,238,426</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,956,531	7,421,600	11,378,131
Restricted for:			
Law enforcement purposes	8,840		8,840
Community redevelopment	40,671		40,671
Debt service	5,186	253,607	258,793
Transportation	88,152		88,152
Water and sewer systems improvements		199,742	199,742
Unrestricted	785,233	3,605,638	4,390,871
<b>TOTAL NET POSITION</b>	<b>\$ 4,884,613</b>	<b>\$ 11,480,587</b>	<b>\$ 16,365,200</b>

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2014

FUNCTIONS/PROGRAMS:	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Direct Expenses	Indirect Expense Allocation	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	\$ 732,482	\$	\$ 122,314	\$ 10,250	\$	\$ (599,918)	\$	\$ (599,918)
Law enforcement	1,167,266		8,036		4,496	(1,154,734)		(1,154,734)
Fire control	223,941			68,318		(155,623)		(155,623)
Building inspections	104,947		44,853			(60,094)		(60,094)
Roads and streets	414,480			12,296		(402,184)		(402,184)
Library	215,855		4,550	31,334		(179,971)		(179,971)
Recreation	152,613		4,441			(148,172)		(148,172)
Parks	320,938		2,979	33,519		(284,440)		(284,440)
Interest on long-term debt	58,384					(58,384)		(58,384)
<b>Total governmental activities</b>	<u>3,390,906</u>		<u>187,173</u>	<u>155,717</u>	<u>4,496</u>	<u>(3,043,520)</u>		<u>(3,043,520)</u>
<b>Business-type activities:</b>								
Electric	4,951,835		5,448,973				497,138	497,138
Water	696,812		515,517				(181,295)	(181,295)
Sewer	1,055,125		835,257		16,552		(203,316)	(203,316)
Stormwater	74,159		132,561				58,402	58,402
Natural gas	61,297		29,487				(31,810)	(31,810)
Mobile home park	206,757		382,712				175,955	175,955
Solid waste	419,473		412,454				(7,019)	(7,019)
<b>Total business-type activities</b>	<u>7,465,458</u>		<u>7,756,961</u>		<u>16,552</u>		<u>308,055</u>	<u>308,055</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 10,856,364</u>	<u>\$</u>	<u>\$ 7,944,134</u>	<u>\$ 155,717</u>	<u>\$ 21,048</u>	<u>(3,043,520)</u>	<u>308,055</u>	<u>(2,735,465)</u>
<b>GENERAL REVENUES:</b>								
Taxes:								
Property taxes levied for general purposes						482,729		482,729
Public service taxes and franchise fees						709,151		709,151
Fuel taxes levied for transportation purposes						306,765		306,765
State shared revenue						617,832		617,832
Sale of gas system							724,102	724,102
Investment earnings						553	1,387	1,940
Miscellaneous						54,777	61,006	115,783
Transfers						700,000	(700,000)	
<b>Total general revenues, special items, and transfers</b>						<u>2,871,807</u>	<u>86,495</u>	<u>2,958,302</u>
<b>Change in net position</b>						(171,713)	394,550	222,837
<b>NET POSITION - beginning of year, as previously reported</b>						5,056,326	11,139,525	16,195,851
<b>Write off bond issue costs per GASB 65</b>							(53,488)	(53,488)
<b>NET POSITION - end of year</b>						<u>\$ 4,884,613</u>	<u>\$ 11,480,587</u>	<u>\$ 16,365,200</u>

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
As of September 30, 2014

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Total</u>
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 603,228	\$ 40,723	\$ 643,951
Receivables, net			
Customer accounts, net	61,425		61,425
Intergovernmental	85,367		85,367
Franchise and public service taxes	20,000		20,000
Inventory	3,143		3,143
Prepaid expenses	22,161		22,161
Advances to other funds	166,316		166,316
Restricted assets:			
Cash and cash equivalents	107,116		107,116
<b>TOTAL ASSETS</b>	<u>\$ 1,068,756</u>	<u>\$ 40,723</u>	<u>\$ 1,109,479</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 66,798	\$ 52	\$ 66,850
Accrued wages and benefits	41,877		41,877
Due to other governments	6,738		6,738
<b>TOTAL LIABILITIES</b>	<u>115,413</u>	<u>52</u>	<u>115,465</u>
Fund balance:			
Non-spendable:			
Inter-fund advances	166,316		166,316
Inventory and prepaid expenses	25,304		25,304
Restricted:			
Law enforcement trust fund	8,840		8,840
Transportation	88,152		88,152
Debt service	10,124		10,124
Community redevelopment		40,671	40,671
Unassigned	654,607		654,607
<b>TOTAL FUND BALANCE</b>	<u>953,343</u>	<u>40,671</u>	<u>994,014</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 1,068,756</u>	<u>\$ 40,723</u>	<u>\$ 1,109,479</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, 2014

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<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 994,014
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	5,259,471
Net pension asset is not reported in governmental funds	4,063
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	(1,367,997)
This is the amount of accrued interest payable	<u>(4,938)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 4,884,613</u>

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
For the year ended September 30, 2014

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Total</u>
<b>REVENUES:</b>			
Taxes	\$ 1,405,417	\$	\$ 1,405,417
Licenses and permits	149,867		149,867
Intergovernmental revenue	778,348		778,348
Charges for services	11,970		11,970
Fines and forfeitures	102,360		102,360
Interfund service charges	200,000		200,000
Other	71,231		71,231
Total revenues	<u>2,719,193</u>		<u>2,719,193</u>
<b>EXPENDITURES:</b>			
General government	922,450		922,450
Public safety	1,454,584		1,454,584
Economic environment		1,368	1,368
Transportation	169,279		169,279
Culture/recreation	654,059		654,059
Debt service	158,717		158,717
Total expenditures	<u>3,359,089</u>	<u>1,368</u>	<u>3,360,457</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(639,896)</u>	<u>(1,368)</u>	<u>(641,264)</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	700,000		700,000
Total other financing sources	<u>700,000</u>		<u>700,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	60,104	(1,368)	58,736
<b>FUND BALANCE, beginning of year</b>	<u>893,239</u>	<u>42,039</u>	<u>935,278</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 953,343</u>	<u>\$ 40,671</u>	<u>\$ 994,014</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, 2014

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**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 58,736

**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 position, 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 23,944

This is the amount of depreciation recorded in the current period (359,736)

Change in net pension asset recognized in the government-wide assets (3,080)

Long-term obligations are reported in the government-wide statement of activities and changes in net position 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 99,614

This amount represents the change in accrued interest payable 718

This amount represents the change in compensated absence liability 8,091

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (171,713)

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
As of September 30, 2014

	Business Type Activities - Enterprise Funds					Total
	Electric Fund	Water Fund	Sewer Fund	Stormwater Utility	Non-Major Funds	
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and cash equivalents	\$ 1,305,033	\$ 4,478	\$	\$ 312,246	\$ 994,717	\$ 2,616,474
Receivables, net						
Customers	1,220,450	78,601	134,000	29,456	60,461	1,522,968
Due from other funds					48,277	48,277
Inventory	<u>238,545</u>	<u>39,014</u>	<u>1,585</u>			<u>279,144</u>
Total current assets	<u>2,764,028</u>	<u>122,093</u>	<u>135,585</u>	<u>341,702</u>	<u>1,103,455</u>	<u>4,466,863</u>
Noncurrent assets:						
Restricted assets:						
Equity in pooled cash and cash equivalents	274,767	196,703	365,652		19,795	856,917
Capital assets, net						
Non-depreciable	119,000	167,487	167,487		10,864	464,838
Depreciable	<u>3,938,747</u>	<u>1,881,415</u>	<u>5,109,490</u>	<u>454,608</u>	<u>272,328</u>	<u>11,656,588</u>
Total noncurrent assets	<u>4,332,514</u>	<u>2,245,605</u>	<u>5,642,629</u>	<u>454,608</u>	<u>302,987</u>	<u>12,978,343</u>
<b>TOTAL ASSETS</b>	<u>7,096,542</u>	<u>2,367,698</u>	<u>5,778,214</u>	<u>796,310</u>	<u>1,406,442</u>	<u>17,445,206</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	519,164	16,693	32,031	1,078	39,498	608,464
Due to other funds			48,277			48,277
Accrued wages and benefits	8,564	2,093	3,169	1,174	1,102	16,102
Bonds and notes payable, current portion	<u>42,943</u>	<u>15,057</u>	<u>65,399</u>		<u>45,000</u>	<u>168,399</u>
Total current liabilities	<u>570,671</u>	<u>33,843</u>	<u>148,876</u>	<u>2,252</u>	<u>85,600</u>	<u>841,242</u>
Noncurrent liabilities:						
Advances from other funds		166,316				166,316
Compensated absences	10,006	3,126	8,259	674		22,065
Payable from restricted assets:						
Accrued interest payable		4,124	11,716		1,045	16,885
Customer deposits	274,767	78,797	33,119			386,683
Bonds and notes payable, noncurrent portion	<u>189,605</u>	<u>1,116,279</u>	<u>3,225,544</u>			<u>4,531,428</u>
Total noncurrent liabilities	<u>474,378</u>	<u>1,368,642</u>	<u>3,278,638</u>	<u>674</u>	<u>1,045</u>	<u>5,123,377</u>
<b>TOTAL LIABILITIES</b>	<u>1,045,049</u>	<u>1,402,485</u>	<u>3,427,514</u>	<u>2,926</u>	<u>86,645</u>	<u>5,964,619</u>
<b>NET POSITION</b>						
Net investment in capital assets	3,825,198	917,567	1,986,035	454,608	238,192	7,421,600
Restricted for:						
Utility system improvements (expendable)		71,631	128,111			199,742
Debt service		42,151	192,706		18,750	253,607
Unrestricted	<u>2,226,295</u>	<u>(66,136)</u>	<u>43,848</u>	<u>338,776</u>	<u>1,062,855</u>	<u>3,605,638</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,051,493</u>	<u>\$ 965,213</u>	<u>\$ 2,350,700</u>	<u>\$ 793,384</u>	<u>\$ 1,319,797</u>	<u>\$ 11,480,587</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, 2014

	Business Type Activities - Enterprise Funds					Total
	Electric Fund	Water Fund	Sewer Fund	Stormwater Utility	Non-Major Funds	
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 5,448,973	\$ 515,517	\$ 835,257	\$ 132,561	\$ 824,653	\$ 7,756,961
Total operating income	<u>5,448,973</u>	<u>515,517</u>	<u>835,257</u>	<u>132,561</u>	<u>824,653</u>	<u>7,756,961</u>
<b>OPERATING EXPENSES:</b>						
Personal services	425,077	173,960	285,563	16,262	28,512	929,374
Purchases for resale	3,639,001				13,495	3,652,496
Operating expenses	644,859	376,228	380,356	19,566	627,701	2,048,710
Depreciation	242,198	96,552	247,353	37,900	14,051	638,054
Total operating expenses	<u>4,951,135</u>	<u>646,740</u>	<u>913,272</u>	<u>73,728</u>	<u>683,759</u>	<u>7,268,634</u>
<b>OPERATING INCOME</b>	<u>497,838</u>	<u>(131,223)</u>	<u>(78,015)</u>	<u>58,833</u>	<u>140,894</u>	<u>488,327</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>						
Interest revenue	1,231		134		22	1,387
Interest and other debt service costs	(700)	(50,072)	(141,853)	(431)	(3,768)	(196,824)
Gain on sale of gas system					724,102	724,102
Other, net	22,912	29,054	1,890		7,150	61,006
Total nonoperating revenues (expenses)	<u>23,443</u>	<u>(21,018)</u>	<u>(139,829)</u>	<u>(431)</u>	<u>727,506</u>	<u>589,671</u>
Income (loss) before contributions and transfers	521,281	(152,241)	(217,844)	58,402	868,400	1,077,998
<b>CAPITAL CONTRIBUTIONS</b>						
Capital grants and contributions			16,552			16,552
<b>TRANSFERS IN (OUT)</b>	(600,000)				(100,000)	(700,000)
Change in net position	(78,719)	(152,241)	(201,292)	58,402	768,400	394,550
<b>TOTAL NET POSITION - beginning of year</b>	6,130,212	1,132,700	2,589,312	734,982	552,319	11,139,525
Write off bond issuance costs per GASB 65		(15,246)	(37,320)		(922)	(53,488)
<b>TOTAL NET POSITION - end of year</b>	<u>\$ 6,051,493</u>	<u>\$ 965,213</u>	<u>\$ 2,350,700</u>	<u>\$ 793,384</u>	<u>\$ 1,319,797</u>	<u>\$ 11,480,587</u>

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the year ended September 30, 2014

	Business Type Activities - Enterprise Funds					Enterprise Total
	Electric Fund	Water Fund	Sewer Fund	Stormwater Utility	Non-Major Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers	\$ 5,491,608	\$ 509,116	\$ 807,713	\$ 123,985	\$ 832,191	\$ 7,764,613
Payments to suppliers	(4,026,258)	(353,742)	(374,926)	(18,526)	(648,629)	(5,422,081)
Payments for salaries and benefits	(424,978)	(173,783)	(294,992)	(14,563)	(44,403)	(952,719)
Net cash flows from operating activities	1,040,372	(18,409)	137,795	90,896	139,159	1,389,813
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Increase (decrease) in customer deposits	22,195	(793)	2,903			24,305
Other nonoperating income (loss)	22,912	29,054	1,890		7,150	61,006
Inter-fund borrowings			48,277		(48,277)	
Transfers (to) from other funds, net of change in due to/from	(600,000)				(100,000)	(700,000)
Net cash flows from noncapital financing activities	(554,893)	28,261	53,070		(141,127)	(614,689)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets, net of related payables	(808,695)	(3,950)	(2,258)			(814,903)
Proceeds from sale of gas system					806,975	806,975
Proceeds of borrowings	284,770					284,770
Principal paid on notes, bonds and lease obligations	(52,222)	(14,425)	(63,296)	(110,000)	(40,000)	(279,943)
Interest paid on borrowings	(700)	(50,125)	(142,086)	(2,585)	(4,697)	(200,193)
Capital contributions and impact fees received, net of receivables			37,271			37,271
Net cash flows from capital and related financing activities	(576,847)	(68,500)	(170,369)	(112,585)	762,278	(166,023)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest on invested funds	1,231		134		22	1,387
Net cash flows from investing activities	1,231		134		22	1,387
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(90,137)	(58,648)	20,630	(21,689)	760,332	610,488
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	1,669,937	259,829	345,022	333,935	254,180	2,862,903
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 1,579,800	\$ 201,181	\$ 365,652	\$ 312,246	\$ 1,014,512	\$ 3,473,391
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 497,838	\$ (131,223)	\$ (78,015)	\$ 58,833	\$ 140,894	\$ 488,327
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	242,198	96,552	247,353	37,900	14,051	638,054
(Increase) decrease in inventory	76,162	17,573	(671)			93,064
(Increase) decrease in accounts receivable	42,635	(6,401)	(27,544)	(8,576)	7,538	7,652
Increase (decrease) in accounts payable	181,440	4,913	6,101	1,040	(7,433)	186,061
Increase (decrease) in accrued wages	(3,016)	(1,626)	(10,035)	1,025	(3,845)	(17,497)
Increase (decrease) in accrued comp absences	3,115	1,803	606	674	(12,046)	(5,848)
Net cash flows from operating activities	\$ 1,040,372	\$ (18,409)	\$ 137,795	\$ 90,896	\$ 139,159	\$ 1,389,813
<b>Noncash financing and investing activities -</b>						
Net book value of assets and liabilities sold	\$ None	\$ None	\$ None	\$ None	\$ 82,873	\$ 82,873

See Accompanying Notes to Financial Statements

**CITY OF FORT MEADE, FLORIDA**  
**STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUND**  
As of September 30, 2014

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	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Investments, at fair market value:	
Cash and short-term money market funds	\$ 35,895
Fixed income securities	2,357,151
Equity securities	<u>3,589,569</u>
Total investments	<u>5,982,615</u>
<b>Total assets</b>	<u>5,982,615</u>
<b>LIABILITIES</b>	
Accounts payable	2,745
Prepaid employer contributions	<u>22,162</u>
<b>Total liabilities</b>	<u>24,907</u>
<b>NET POSITION</b>	<u>\$ 5,957,708</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, 2014

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	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
City	\$ 213,021
Total contributions	<u>213,021</u>
Investment income (loss)	
Net investment income	479,570
Investment fees	<u>(11,664)</u>
Net investment income (loss)	<u>467,906</u>
<b>Total additions</b>	<u>680,927</u>
<b>DEDUCTIONS</b>	
Administrative expenses:	
Actuarial	11,622
Legal	37,860
Custodial fees	<u>4,957</u>
Total administrative expenses	54,439
Benefits and termination payments	<u>333,709</u>
<b>Total deductions</b>	<u>388,148</u>
<b>CHANGE IN NET POSITION</b>	292,779
NET POSITION, beginning of year	<u>5,664,929</u>
NET POSITION, end of year	<u>\$ 5,957,708</u>

See Accompanying Notes to Financial Statements



NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2014

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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 and stormwater utility services; provides collection and disposal of solid waste; and operates a mobile home park. The natural gas system was sold in December 2013.

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, 2014

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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. Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions (grants) and voluntary nonexchange transactions (donations) resources are reported as liabilities until the eligible requirements are met and as deferred inflows if received before time requirements are 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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2014

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

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

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. Revenues received prior to meeting the available criterion are reported as deferred inflows. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, utility and franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Property taxes are billed and collected within the same period in which the taxes are levied. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. 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 Standards set 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, 2014

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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 \$200,000 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, 2014

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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. As of September 30, 2014, the allowance for doubtful amounts totaled \$8,845 for the Governmental Activities and \$28,938 for the Business-type Activities. 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 and totaled \$424,335 as of September 30, 2014.

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, 2014

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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, 2014.

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, 2014

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

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

**Deferred outflows and inflows of resources** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**Long-term obligations** - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs are reported as an expense in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as 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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2014

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

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

**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.

**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, 2014.

**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.

**Unassigned:** All other spendable amounts.

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, 2014

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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, 2014 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, 2014

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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 2014.

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Department:</b>				
Executive	\$ 96,909	\$ 116,579	\$ 117,813	\$ (1,234)

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2014

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**NOTE 4 - CASH AND INVESTMENTS**

At September 30, 2014, 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	\$ 1,200
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	<u>4,223,258</u>
Total equity in pooled cash and cash equivalents	<u>\$ 4,224,458</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, 2014

**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, 2014

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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	Not Rated	\$ 25,858	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AA/V4	689,553	4.77	6.47
FMIvT Core Plus Fixed Income Fund	Not Rated	<u>\$ 1,008,471</u>	2.91	6.52
		<u>\$ 1,723,882</u>		
<b>Police Officers' Retirement Trust Fund:</b>				
Cash and short-term money market	NA	\$ 7,890	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AA/V4	210,406	4.77	6.47
FMIvT Core Plus Fixed Income Fund	Not Rated	<u>\$ 307,718</u>	2.91	6.52
		<u>\$ 526,014</u>		
<b>Firefighters' Retirement Trust Fund:</b>				
Cash and short-term money market	Not Rated	\$ 2,147	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AA/V4	57,260	4.77	6.47
FMIvT Core Plus Fixed Income Fund	Not Rated	<u>\$ 83,743</u>	2.91	6.52
		<u>\$ 143,150</u>		

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance October 1, 2013	Transfers	Additions	Deletions	Balance September 30, 2014
<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	\$ 2,149,964	\$	\$ 11,302	\$	\$ 2,161,266
Equipment	1,588,726	33,605	12,642	(1,995)	1,632,978
Infrastructure:					
Road network	10,293,736				10,293,736
Total	<u>14,032,426</u>	<u>33,605</u>	<u>23,944</u>	<u>(1,995)</u>	<u>14,087,980</u>
Total all capital assets	<u>14,878,624</u>	<u>33,605</u>	<u>23,944</u>	<u>(1,995)</u>	<u>14,934,178</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,261,032)		(51,237)		(1,312,269)
Equipment	(1,183,226)	(33,605)	(55,699)	1,995	(1,270,535)
Infrastructure:					
Road network	(6,839,103)		(252,800)		(7,091,903)
Total accumulated depreciation	<u>(9,283,361)</u>	<u>(33,605)</u>	<u>(359,736)</u>	<u>1,995</u>	<u>(9,674,707)</u>
Depreciable capital assets, net	<u>4,749,065</u>		<u>(335,792)</u>		<u>4,413,273</u>
Governmental activities capital assets, net	<u>\$ 5,595,263</u>	<u>\$</u>	<u>\$ (335,792)</u>	<u>\$</u>	<u>\$ 5,259,471</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	\$ 19,976,937	\$	\$ 512,132	\$ (442,510)	\$ 20,046,559
Equipment	1,553,884	(5,605)	302,771	(48,040)	1,803,010
Total	<u>21,530,821</u>	<u>(5,605)</u>	<u>814,903</u>	<u>(490,550)</u>	<u>21,849,569</u>
Total all capital assets	<u>21,995,659</u>	<u>(5,605)</u>	<u>814,903</u>	<u>(490,550)</u>	<u>22,314,407</u>
Less accumulated depreciation	(9,968,799)	5,605	(638,054)	408,267	(10,192,981)
Depreciable capital assets, net	<u>11,562,022</u>		<u>176,849</u>	<u>(82,283)</u>	<u>11,656,588</u>
Business-type activities capital assets, net	<u>\$ 12,026,860</u>	<u>\$</u>	<u>\$ 176,849</u>	<u>\$ (82,283)</u>	<u>\$ 12,121,426</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2014

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

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

Governmental Activities:

General government	\$ 21,607
Law enforcement	2,327
Fire control	35,932
Building inspections	790
Roads and streets	253,372
Library	3,181
Recreation	14,425
Parks	<u>28,102</u>
Total depreciation expense - governmental activities	<u>\$ 359,736</u>

Business-type Activities:

Electric	\$ 242,198
Water	96,552
Sewer	247,353
Stormwater	37,900
Mobile home park	<u>14,051</u>
Total depreciation expense - business-type activities	<u>\$ 638,054</u>

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

**NOTE 6 - LONG TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2014:

	Balance October 1, 2013	Additions	Reductions	Balance September 30, 2014	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	\$ 1,333,013	\$	\$ (65,638)	\$ 1,267,375	\$ 68,388
Installment notes and leases payable	69,541		(33,976)	35,565	35,565
Total long-term debt	<u>1,402,554</u>		<u>(99,614)</u>	<u>1,302,940</u>	<u>103,953</u>
<b>Other liabilities:</b>					
Compensated absences	73,148		(8,091)	65,057	
Total other liabilities	<u>73,148</u>		<u>(8,091)</u>	<u>65,057</u>	
Total long-term obligations	<u>\$ 1,475,702</u>	<u>\$</u>	<u>\$ (107,705)</u>	<u>1,367,997</u>	<u>\$ 103,953</u>
Less amount due in one year				(103,953)	
Total non-current obligations due in more than one year				<u>\$ 1,264,044</u>	
<b><u>Business-type Activities</u></b>					
<b>Long-term debt:</b>					
Revenue bonds and certificates					
Water and Sewer, Series 1982	\$ 110,525	\$	\$ (13,816)	\$ 96,709	\$ 13,816
Water and Sewer, Series 2005A	2,548,829		(38,881)	2,509,948	40,533
Water and Sewer, Series 2005B	694,884		(10,600)	684,284	11,050
Water system, Series 2009	1,145,762		(14,425)	1,131,337	15,057
Stormwater Revenue, Series 1998	110,000		(110,000)		
Mobile Home Park Revenue, Series 2000	85,000		(40,000)	45,000	45,000
Installment notes and leases payable		284,771	(52,222)	232,549	42,943
Total long-term debt	<u>4,695,000</u>	<u>284,771</u>	<u>(279,944)</u>	<u>4,699,827</u>	<u>168,399</u>
<b>Other liabilities:</b>					
Compensated absences	27,913		(5,848)	22,065	
Total other liabilities	<u>27,913</u>		<u>(5,848)</u>	<u>22,065</u>	
Total long-term obligations	<u>\$ 4,722,913</u>	<u>\$ 284,771</u>	<u>\$ (285,792)</u>	<u>4,721,892</u>	<u>\$ 168,399</u>
Less amount due in one year				(168,399)	
Total non-current obligations due in more than one year				<u>\$ 4,553,493</u>	



**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

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

Bonds and notes outstanding at September 30, 2014, 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	\$ 1,267,375
Fire truck lease	2	2015	4.670%	217,982	<u>35,565</u>
Total governmental activities					<u>\$ 1,302,940</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	\$ 96,709
Water and Sewer, Series 2005A	4	2045	4.250%	2,751,000	2,509,948
Water and Sewer, Series 2005B	5	2045	4.250%	750,000	684,284
Water System, Series 2009	6	2045	4.375%	1,209,309	1,131,337
Mobile Home Park Revenue, Series 2000	7	2015	5.450%	440,000	45,000
Installment notes and leases payable:					
Equipment Lease	8	2019	3.990%	174,299	142,336
Equipment Lease	9	2019	3.990%	110,472	<u>90,213</u>
Total business-type activities					<u>\$ 4,699,827</u>

Purpose:

- 1 Resurface City streets, loan is secured by 5th Cent fuel taxes
- 2 Purchase fire truck, loan is 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 Mobile home park community center secured by mobile home park revenues
- 8 Purchase digger truck for electric department, secured by the equipment
- 9 Purchase bucket truck for electric department, secured by the equipment

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

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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 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	\$ 1,700,873	\$ 121,491	\$ 168,909	139.03%
Water and sewer revenues combined	09/01/2048	\$ 8,115,568	\$ 271,234	\$ 165,745	61.11%
Water system revenues only	09/01/2048	\$ 2,194,489	\$ 64,553	\$ (5,617)	-8.70%
Mobile home park revenues	05/01/2015	\$ 47,487	\$ 44,697	\$ 196,381	439.36%

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

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

Annual debt service requirements as of September 30, 2014, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 103,953	\$ 54,765	\$ 168,399	\$ 201,853
2016	71,253	50,238	127,964	194,110
2017	74,239	47,252	132,720	188,665
2018	77,350	44,141	137,672	183,021
2019	80,590	44,141	142,831	177,171
2020 - 2024	456,523	169,290	475,166	813,995
2025 - 2029	439,032	69,474	551,824	707,634
2030 - 2034			680,417	579,040
2035 - 2039			838,988	420,470
2040 - 2044			1,034,514	224,943
2045 - 2049			409,332	33,436
<b>Total</b>	<b>\$ 1,302,940</b>	<b>\$ 479,301</b>	<b>\$ 4,699,827</b>	<b>\$ 3,724,338</b>

Interest costs for the governmental activities totaled \$58,384 for the year ended September 30, 2014. Interest and other debt service costs incurred in the business-type activities totaled \$196,824 for the same period, none of which was capitalized.

**Bond Issuance Costs** - Under GASB 65, effective with the year ended September 30, 2014, bond issuance costs are no longer deferred and amortized. Accordingly, the remaining unamortized balances of such costs were written off by a charge to beginning net position, as follows:

Fund	Bond Issue	Amount Written Off
Sewer Fund	Series 2005A & B	\$ 37,320
Water Fund	Series 2009	15,246
Mobile Home Park Fund	Series 2000	922
<b>Total</b>		<b>\$ 53,488</b>

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

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**NOTE 7 - RESTRICTED FUND BALANCE/NET POSITION**

The general fund, water utility fund, sewer utility fund, and mobile home park fund, each had revenue bonds outstanding at September 30, 2014. 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, 2014:

	Restricted Fund Balance	Restricted Net Position
<b><u>Governmental Funds/Activities</u></b>		
Law enforcement	\$ 8,840	\$ 8,840
Community redevelopment	40,671	40,671
5th Cent revenue bond debt service	10,124	5,186
Transportation infrastructure	88,152	88,152
Total	\$ 147,787	\$ 142,849
<b><u>Enterprise Funds/Business-type Activities</u></b>		
<b>Water Fund:</b>		
2009 sinking fund		\$ 1,255
2009 bond reserve		40,896
Restricted for debt service		42,151
Water impact fees restricted for system improvements		71,631
Total		\$ 113,782
<b>Sewer Fund:</b>		
1982 sinking fund		\$ 1,151
1982 bond reserve		18,651
2005A and 2005B sinking fund		4,299
2005A and 2005B reserve		168,605
Restricted for debt service		192,706
Sewer impact fees restricted for system improvements		128,111
Total		\$ 320,817
<b>Mobile Home Park</b>		
2000 sinking fund		\$ 18,750
Total		\$ 18,750

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

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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, 2014, the balance in due from/to and advances to other funds consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/froms:</b>		
Natural Gas Utility	Sewer Fund	\$ 48,277
Total		<u>48,277</u>
<b>Advances to/froms:</b>		
General Fund	Water Fund	166,316
Total		<u>166,316</u>
Eliminated in combining activities		<u>(48,277)</u>
Total in government-wide statements		<u><u>\$ 166,316</u></u>

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

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 600,000
General Fund	Mobile Home Park Fund	<u>100,000</u>
Fund-level interfund transfers		700,000
Eliminated in combining activities		<u>                    </u>
Combined government-wide total		<u><u>\$ 700,000</u></u>

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
 September 30, 2014

**NOTE 9 - RETIREMENT TRUST FUNDS**

**Plan Description** - The City is the administrator of three separate single-employer public employee retirement systems established by City Ordinance to provide pension benefits for its police officers, fire fighters and other general employees. The five member City Commission serves as the Board of Trustees for each of the three Plans. The Plans were established by and can be amended by City Ordinance. 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. 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 so the plan has no active participants. The Plans do not prepare stand-alone financial reports.

**Plan Membership** - Plan membership as of the most recent actuarial valuation date consisted of the following:

	as of October 1, 2013		
	General Employees'	Police Officers' Fund	Firefighters' Fund
Retirees and beneficiaries			
currently receiving benefits	16	5	8
Terminated vested employees	16	8	6
Active employees:			
Receiving DROP benefits	2		
Vested	13		10
Nonvested	22		11
Totals	69	13	35

**Benefits** - The City's pension plans provide retirement and disability benefits. Retirement benefits for general employee members are calculated at 1.5% of the final five year average earnings multiplied by years of creditable service. Benefits for police officers and firefighters are calculated at 1.75% of final five year average earnings multiplied by years of creditable service. Normal retirement is age 62 (55 for police officers and firefighter) and completion of 30 years of service or 40 years of service regardless of age. Early retirement is available after completing 20 years of service and attainment of age 65 (10 years and attainment of age 60 for police officers and firefighters). All members are eligible for non-duty disability benefits after 10 years of service and police officers and firefighters are eligible for service connected disability regardless of years of service. Benefits for all members vest after 10 years of service.

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
 September 30, 2014

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

**Contributions** - It is the City's policy to fund annually the actuarially determined required contributions representing the difference between the actuarially determined amount and the contributions of Plan members, if any. Contributions shown below were made in accordance with actuarially determined contribution requirements from the October 1, 2013, 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	16.16%	N/A	19.15%
Plan members	0.00%	0.00%	0.00%
Actuarially determined contribution	\$168,984	\$31,528	\$15,589
Contributions made	\$168,984	\$31,528	\$12,509

**Investments and Rate of Return** - The Plans' investment policy and information related to concentrations and custodial and credit risk is discussed in Note 4 to the financial statements. For the year ended September 30, 2014, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested, for the each of the Plans was as follows:

	<u>General Employees</u>	<u>Police Pension</u>	<u>Fire Pension</u>
Money-Weighted Rate of Return	<u>8.40%</u>	<u>8.30%</u>	<u>8.50%</u>

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

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

**Deferred Retirement Option Program (DROP)** - The City permits its pension plan participants to elect to receive retirement benefits while still employed and receiving a salary. Eligibility is 30 years of service and attainment of the earlier of age 62 or normal retirement. The participant's retirement benefits are credited into an individual member account and paid out to the member upon termination or retirement not to exceed a period of up to 36 months. Amounts credited to the members' DROP accounts earn interest at 6% and remain in the pension plans' net assets until paid out. Amounts held in DROP accounts as of September 30, 2014 were as follows:

	<b>General Employees</b>	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Total</b>
Total accumulated DROP benefits	\$ 73,139	\$ -	\$ -	\$ 73,139

**Net Pension Liability** - The components of the net pension liability for each of the plans as of September 30, 2014, were as follows:

	<b>General Employees</b>	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Total</b>
Total pension liability	\$ 4,761,702	\$ 1,395,368	\$ 402,247	\$ 6,559,317
Plan fiduciary net position	(4,288,654)	(1,311,346)	(357,708)	(5,957,708)
Net pension liability	\$ 473,048	\$ 84,022	\$ 44,539	\$ 601,609
Plan fiduciary net position as a percentage of the total pension liability	90.07%	93.98%	88.93%	90.83%

Actuarial assumptions - the total pension liability was determined by an actuarial valuation on the following date and using the following assumptions for all three plans:

Actuarial valuation date	October 1, 2013
Inflation	3.0%
Projected salary increases	3.0%
Investment rate of return	7.5%
Mortality rates	RP 2000
Date of actuarial experience study	NA



NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2014

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

**Long-term Expected Rate of Return on Pension Plan Investments** - was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table. Each of the three pension plans uses the same money manager and target asset allocations so the information presented is the same for each of the three plans.

Asset Class	Long-Term Expected Real Rate of Return
Core bonds	2.29%
Multi-sector (fixed income)	2.78%
U.S. large cap equity	5.68%
U.S. small cap equity	6.24%
Non- U.S. equity	5.44%

**Discount Rate** - 7.5% was used to measure the total pension liability which rate was the same for all three plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	Net Pension Liability (Asset)		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
General Employees	\$ 1,059,538	\$ 473,048	\$ (18,461)
Police Officers	251,629	84,022	(56,957)
Firefighters	92,719	44,539	3,904
Total net pension liability (asset)	\$ 1,403,886	\$ 601,609	\$ (71,514)

**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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2014

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**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.

	<u>Mobile Home Park Fund</u>
<b>CONDENSED STATEMENTS OF NET POSITION</b>	
<b>ASSETS</b>	
Current assets	\$ 56,569
Restricted assets	19,795
Capital assets, net	283,192
<b>TOTAL ASSETS</b>	<u>359,556</u>
<b>LIABILITIES</b>	
Current liabilities	52,128
Liabilities payable from restricted assets	1,045
<b>TOTAL LIABILITIES</b>	<u>53,173</u>
<b>NET POSITION</b>	
Net investment in capital assets	238,192
Restricted	18,750
Unrestricted	49,441
<b>TOTAL NET POSITION</b>	<u>\$ 306,383</u>

NOTES TO FINANCIAL STATEMENTS  
**CITY OF FORT MEADE, FLORIDA**  
September 30, 2014

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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>\$ 382,712</b>
<b>OPERATING EXPENSES:</b>	
Depreciation	14,051
Other	188,938
Total operating expenses	202,989
<b>OPERATING INCOME</b>	<b>179,723</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>	(1,161)
<b>TRANSFERS IN (OUT)</b>	<b>(100,000)</b>
Change in net position	78,562
<b>TOTAL NET POSITION - beginning of year as restated</b>	<b>227,821</b>
<b>TOTAL NET POSITION - end of year</b>	<b>\$ 306,383</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>	
<b>CASH FLOWS FROM:</b>	
Operating activities	<b>\$ 193,712</b>
Noncapital financing activities	(97,393)
Capital and related financing activities	(44,697)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>51,622</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>22,054</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 73,676</b>

NOTES TO FINANCIAL STATEMENTS  
CITY OF FORT MEADE, FLORIDA  
September 30, 2014

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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 2014 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 continues to be involved in a series of lawsuits and meetings with Biosolids Distribution Services, LLC., a Minnesota Limited Liability Corporation (Biosolids), which operates a biosolids recycling facility in the City. The City has alleged that the facility was a source of odor pollution, was operated without valid permits or licenses, and had not paid the City required impact fees. Biosolids argued that the odor was being managed, their permits were valid, and that the City had approved their operation of the facility. Biosolids' action against the City was dismissed for lack of jurisdiction. The City's action against Biosolids is currently being negotiated. Current expectations are that the City will receive a settlement. The aforementioned issue and other legal actions in which the City may be involved, 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, 2014

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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 becomes effective January 1, 2015. 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 - RESTATEMENT**

For the current year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

Beginning net position for the Business-type Activities and the Enterprise Funds as previously reported, was reduced by \$53,488 for debt issuance costs that had been reported as an asset and amortized over the life of the debt. With the exception of prepaid bond insurance costs, costs related to the issuance of debt will be recognized as an expense in the period incurred rather than recorded as an asset and amortized over the life of the debt.

## **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, 2014

	<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	\$ 1,384,250	\$ 1,384,250	\$ 1,405,417	\$ 21,167
Licenses and permits	144,500	154,500	149,867	(4,633)
Intergovernmental revenue	762,720	755,020	778,348	23,328
Charges for services	14,800	14,800	11,970	(2,830)
Fines and forfeitures	117,992	117,992	102,360	(15,632)
Inter-fund service charges	250,000	250,000	200,000	(50,000)
Interest and miscellaneous	58,574	95,574	71,231	(24,343)
Total revenues	<u>2,732,836</u>	<u>2,772,136</u>	<u>2,719,193</u>	<u>(52,943)</u>
<b>EXPENDITURES:</b>				
General government:				
Legislative	181,691	163,415	110,479	52,936
Executive	96,909	116,579	117,813	(1,234)
Finance	416,971	443,542	440,965	2,577
Planning	116,957	109,457	98,098	11,359
Other general government	140,622	156,622	155,095	1,527
Public safety:				
Police	1,108,365	1,170,295	1,164,938	5,357
Fire	235,550	242,650	221,473	21,177
Inspections	106,001	106,001	105,399	602
Transportation-streets	283,287	305,307	290,770	14,537
Culture/Recreation:				
Library	234,163	234,163	215,769	18,394
Recreation	183,329	183,329	141,954	41,375
Parks	328,991	331,991	296,336	35,655
Total expenditures	<u>3,432,836</u>	<u>3,563,351</u>	<u>3,359,089</u>	<u>204,262</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(700,000)	(791,215)	(639,896)	151,319
<b>OTHER FINANCING SOURCES (USES):</b>				
Reappropriation of prior year surplus		91,215		(91,215)
Transfers in	700,000	700,000	700,000	
Total other financing sources	<u>700,000</u>	<u>791,215</u>	<u>700,000</u>	<u>(91,215)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$</u>	<u>\$</u>	<u>\$ 60,104</u>	<u>\$ 60,104</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, 2014

	<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				
<b>EXPENDITURES:</b>				
Economic environment				
Travel	\$ 1,000	\$ 1,000	\$	\$ 1,000
Other current charges	1,600	1,600	1,368	232
Local business grants	10,000	10,000		10,000
Total expenditures	<u>12,600</u>	<u>12,600</u>	<u>1,368</u>	<u>11,232</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(12,600)	(12,600)	(1,368)	11,232
<b>OTHER FINANCING SOURCES (USES):</b>				
Reappropriation of prior year fund balance	<u>12,600</u>	<u>12,600</u>		<u>(12,600)</u>
Total other financing sources	<u>12,600</u>	<u>12,600</u>		<u>(12,600)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$</u>	<u>\$</u>	<u>\$ (1,368)</u>	<u>\$ (1,368)</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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
CITY OF FORT MEADE, FLORIDA**

The following information presents the changes in net pension liability for each of the pension plans:

	<b>Pension Trust Funds</b>			<b>Total</b>
	<b>General Employees</b>	<b>Police Pension</b>	<b>Fire Pension</b>	
Total pension liability				
Service cost	\$ 54,173	\$	\$ 4,760	\$ 58,933
Interest	336,071	100,802	29,146	466,019
Interest increase in DROP accounts	2,766			2,766
Differences between expected and actual experience				
Changes of assumptions				
Benefit payments and refunds	<u>(203,762)</u>	<u>(98,915)</u>	<u>(31,032)</u>	<u>(333,709)</u>
Net change in total pension liability	<u>189,248</u>	<u>1,887</u>	<u>2,874</u>	<u>194,009</u>
Total pension liability, beginning	<u>4,572,454</u>	<u>1,393,481</u>	<u>399,373</u>	<u>6,365,308</u>
Total pension liability, ending	<u>\$ 4,761,702</u>	<u>\$ 1,395,368</u>	<u>\$ 402,247</u>	<u>\$ 6,559,317</u>
Plan fiduciary net position				
Contributions - employer	168,984	31,528	12,509	213,021
Contributions - employee				
Net investment income	335,315	103,645	28,946	467,906
Benefit payments and refunds	(203,762)	(98,915)	(31,032)	(333,709)
Administrative expenses	(37,664)	(12,002)	(4,773)	(54,439)
Other				
Net change in plan fiduciary net position	<u>262,873</u>	<u>24,256</u>	<u>5,650</u>	<u>292,779</u>
Plan fiduciary net position, beginning	<u>4,025,781</u>	<u>1,287,090</u>	<u>352,058</u>	<u>5,664,929</u>
Plan fiduciary net position, ending	<u>\$ 4,288,654</u>	<u>\$ 1,311,346</u>	<u>\$ 357,708</u>	<u>\$ 5,957,708</u>
Net pension liability	<u>\$ 473,048</u>	<u>\$ 84,022</u>	<u>\$ 44,539</u>	<u>\$ 601,609</u>
Plan fiduciary net position as a percentage of the total pension liability	90.07%	93.98%	88.93%	90.83%
Covered employee payroll	\$ 1,045,343	\$ NA	\$ 65,337	\$ 1,110,680
Net pension liability as a percentage of covered employee payroll	45.25%	NA	68.17%	54.17%

**Notes to Schedule:**

There have been no changes in benefits

There have been no changes in assumptions

Additional years will be added to this schedule annually until 10 years' data is presented

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSION TRUST FUNDS  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
CITY OF FORT MEADE, FLORIDA**

The following information presents a schedule of contributions for each of the pension plans:

Year Ended September 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
<b>General Employees' Plan</b>					
2014	\$ 168,984	\$ 168,984	\$ -	\$ 1,045,343	16.16%
2013	\$ 166,886	\$ 166,886	\$ -	\$ 1,186,956	14.06%
2012	\$ 195,849	\$ 195,849	\$ -	\$ 1,441,126	13.59%
2011	\$ 162,888	\$ 162,888	\$ -	\$ 1,532,342	10.63%
2010	\$ 149,901	\$ 150,077	\$ 176	\$ 1,693,871	8.86%
2009	\$ 146,734	\$ 146,734	\$ -	\$ 1,748,915	8.39%
2008	\$ 141,824	\$ 141,824	\$ -	Not available	
2007	\$ 137,231	\$ 137,231	\$ -	Not available	
2006	\$ 116,214	\$ 116,214	\$ -	Not available	
2005	\$ 96,228	\$ 96,228	\$ -	Not available	
<b>Police Officers' Plan</b>					
2014	\$ 31,528	\$ 31,528	\$ -	-	
2013	\$ 35,416	\$ 35,416	\$ -	-	
2012	\$ 31,899	\$ 31,899	\$ -	-	
2011	\$ 21,803	\$ 21,803	\$ -	-	
2010	\$ -	\$ -	\$ -	-	
2009	\$ -	\$ -	\$ -	-	
2008	\$ -	\$ -	\$ -	-	
2007	\$ 69,937	\$ 69,937	\$ -	Not available	
2006	\$ 74,516	\$ 74,516	\$ -	Not available	
2005	\$ 74,903	\$ 74,903	\$ -	Not available	
<b>Firefighters' Plan</b>					
2014	\$ 15,589	\$ 12,509	\$ (3,080)	\$ 65,337	19.15%
2013	\$ 11,048	\$ 11,440	\$ 392	\$ 70,574	16.21%
2012	\$ 13,123	\$ 16,378	\$ 3,255	\$ 99,381	16.48%
2011	\$ 14,783	\$ 14,783	\$ -	\$ 70,496	20.97%
2010	\$ 7,414	\$ 7,418	\$ 4	\$ 92,957	7.98%
2009	\$ 5,517	\$ 8,647	\$ 3,130	\$ 123,352	7.01%
2008	\$ 5,327	\$ 5,905	\$ 578	Not available	
2007	\$ 9,088	\$ 9,088	\$ -	Not available	
2006	\$ 9,808	\$ 9,808	\$ -	Not available	
2005	\$ 5,528	\$ 5,528	\$ -	Not available	

REQUIRED SUPPLEMENTARY INFORMATION  
PENSION TRUST FUNDS  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
CITY OF FORT MEADE, FLORIDA

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**Notes to Schedule of Contributions:**

The Police Officers' Plan does not have any active members and therefore covered payroll is zero.

Valuation date - for the September 30, 2014, contributions the valuation date was as of October 1, 2013.

Actuarial cost method - the frozen entry age method is used.

Asset valuation method - fair value

Inflation - no explicit inflation rate was used.

Salary increases - 3.0%

Investment rate of return - 7.5%

Retirement age - members are assumed to retire at their normal retirement dates.

Mortality - RP-2000 mortality table

REQUIRED SUPPLEMENTARY INFORMATION  
 PENSION TRUST FUNDS  
 SCHEDULE OF INVESTMENT RETURNS  
 CITY OF FORT MEADE, FLORIDA

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Average Money-Weighted Rate of Return, net of Investment Expenses - Pension Trust Funds			
	General Employees	Police Officers	Fire Fighters
<b>For the year ended September 30:</b>			
2014	8.40%	8.30%	8.50%

Additional years will be added to this table until ten years' data is presented.

# **COMBINING FINANCIAL STATEMENTS**

**CITY OF FORT MEADE, FLORIDA**  
**COMBINING STATEMENT OF NET POSITION - NON-MAJOR ENTERPRISE FUNDS**  
As of September 30, 2014

	<b>Business Type Activities - Non-Major Funds</b>			
	<b>Natural Gas Utility</b>	<b>Mobile Home Park Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 837,279	\$ 53,881	\$ 103,557	\$ 994,717
Receivables, net				
Customers		2,688	57,773	60,461
Due from other funds	48,277			48,277
Total current assets	<u>885,556</u>	<u>56,569</u>	<u>161,330</u>	<u>1,103,455</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents		19,795		19,795
Capital assets, net				
Non-depreciable		10,864		10,864
Depreciable		272,328		272,328
Total noncurrent assets		<u>302,987</u>		<u>302,987</u>
<b>TOTAL ASSETS</b>	<u>885,556</u>	<u>359,556</u>	<u>161,330</u>	<u>1,406,442</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable		6,026	33,472	39,498
Accrued wages and benefits		1,102		1,102
Bonds and notes payable, current portion		45,000		45,000
Total current liabilities		<u>52,128</u>	<u>33,472</u>	<u>85,600</u>
Noncurrent liabilities:				
Payable from restricted assets:				
Accrued interest payable		1,045		1,045
Total noncurrent liabilities		<u>1,045</u>		<u>1,045</u>
<b>TOTAL LIABILITIES</b>		<u>53,173</u>	<u>33,472</u>	<u>86,645</u>
<b>NET POSITION</b>				
Net investment in capital assets		238,192		238,192
Restricted for:				
Debt service		18,750		18,750
Unrestricted	885,556	49,441	127,858	1,062,855
<b>TOTAL NET POSITION</b>	<u>\$ 885,556</u>	<u>\$ 306,383</u>	<u>\$ 127,858</u>	<u>\$ 1,319,797</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, 2014

	<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	\$ 29,487	\$ 382,712	\$ 412,454	\$ 824,653
Total operating income	<u>29,487</u>	<u>382,712</u>	<u>412,454</u>	<u>824,653</u>
<b>OPERATING EXPENSES:</b>				
Personal services	13,072	15,440		28,512
Purchases for resale	13,495			13,495
Operating expenses	34,730	173,498	419,473	627,701
Depreciation		14,051		14,051
Total operating expenses	<u>61,297</u>	<u>202,989</u>	<u>419,473</u>	<u>683,759</u>
<b>OPERATING INCOME</b>	<u>(31,810)</u>	<u>179,723</u>	<u>(7,019)</u>	<u>140,894</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>				
Interest revenue	22			22
Interest expense		(3,768)		(3,768)
Gain on sale of gas system	724,102			724,102
Other, net	1,543	2,607	3,000	7,150
Total nonoperating revenues (expenses)	<u>725,667</u>	<u>(1,161)</u>	<u>3,000</u>	<u>727,506</u>
Income (loss) before contributions and transfers	693,857	178,562	(4,019)	868,400
<b>TRANSFERS OUT</b>		<u>(100,000)</u>		<u>(100,000)</u>
Change in net position	693,857	78,562	(4,019)	768,400
<b>TOTAL NET POSITION - beginning of year</b>	191,699	228,743	131,877	552,319
Write off bond issuance costs per GASB 65		(922)		(922)
<b>TOTAL NET POSITION - end of year</b>	<u>\$ 885,556</u>	<u>\$ 306,383</u>	<u>\$ 127,858</u>	<u>\$ 1,319,797</u>

**CITY OF FORT MEADE, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR ENTERPRISE FUNDS**  
For the year ended September 30, 2014

	Business Type Activities - Non-Major Funds			Total
	Natural Gas Utility	Mobile Home Park Fund	Solid Waste Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 29,487	\$ 382,591	\$ 420,113	\$ 832,191
Payments to suppliers	(57,660)	(172,716)	(418,253)	(648,629)
Payments for salaries and benefits	(28,240)	(16,163)		(44,403)
Net cash flows from operating activities	(56,413)	193,712	1,860	139,159
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Other nonoperating income/(loss)	1,543	2,607	3,000	7,150
Inter-fund loan	(48,277)			(48,277)
Transfers (to) from other funds, net of change in due to/from		(100,000)		(100,000)
Net cash flows from noncapital financing activities	(46,734)	(97,393)	3,000	(141,127)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of gas system	806,975			806,975
Principal paid on notes, bonds and lease obligations		(40,000)		(40,000)
Interest paid on borrowings		(4,697)		(4,697)
Net cash flows from capital and related financing activities	806,975	(44,697)	-	762,278
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on invested funds and other	22			22
Net cash flows from investing activities	22	-	-	22
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	703,850	51,622	4,860	760,332
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	133,429	22,054	98,697	254,180
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 837,279</u>	<u>\$ 73,676</u>	<u>\$ 103,557</u>	<u>\$ 1,014,512</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income / (loss)	\$ (31,810)	\$ 179,723	\$ (7,019)	\$ 140,894
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		14,051		14,051
(Increase) decrease in accounts receivable		(121)	7,659	7,538
Increase (decrease) in accounts payable	(9,435)	782	1,220	(7,433)
Increase (decrease) in accrued wages	(3,122)	(723)		(3,845)
Increase (decrease) in accrued comp absences	(12,046)			(12,046)
Net cash flows from operating activities	<u>\$ (56,413)</u>	<u>\$ 193,712</u>	<u>\$ 1,860</u>	<u>\$ 139,159</u>
<b>Noncash financing and investing activities -</b>				
Net book value of assets and liabilities sold	\$ 82,873	\$ None	\$ None	\$ 82,873

**CITY OF FORT MEADE, FLORIDA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION FUNDS**  
As of September 30, 2014

	<b>Pension Trust Funds</b>			<b>Total</b>
	<b>General Employees</b>	<b>Police Pension</b>	<b>Fire Pension</b>	
<b>ASSETS</b>				
Investments, at fair market value:				
Cash and short-term money market funds	\$ 25,858	\$ 7,890	\$ 2,147	\$ 35,895
Fixed income securities	1,698,024	518,124	141,003	2,357,151
Equity securities	<u>2,585,823</u>	<u>789,021</u>	<u>214,725</u>	<u>3,589,569</u>
Total investments	<u>4,309,705</u>	<u>1,315,035</u>	<u>357,875</u>	<u>5,982,615</u>
<b>Total assets</b>	<u>4,309,705</u>	<u>1,315,035</u>	<u>357,875</u>	<u>5,982,615</u>
<b>LIABILITIES</b>				
Accounts payable	1,970	608	167	2,745
Prepaid employer contributions	<u>19,081</u>	<u>3,081</u>	<u>          </u>	<u>22,162</u>
<b>Total liabilities</b>	<u>21,051</u>	<u>3,689</u>	<u>167</u>	<u>24,907</u>
<b>NET POSITION</b>	<u>\$ 4,288,654</u>	<u>\$ 1,311,346</u>	<u>\$ 357,708</u>	<u>\$ 5,957,708</u>

**CITY OF FORT MEADE, FLORIDA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY**  
**NET POSITION - PENSION FUNDS**  
For the year ended September 30, 2014

	<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	\$ 168,984	\$ 31,528	\$ 12,509	\$ 213,021
Total contributions	<u>168,984</u>	<u>31,528</u>	<u>12,509</u>	<u>213,021</u>
Investment income (loss):				
Net investment income	343,704	106,199	29,667	479,570
Investment fees	<u>(8,389)</u>	<u>(2,554)</u>	<u>(721)</u>	<u>(11,664)</u>
Net investment income (loss)	<u>335,315</u>	<u>103,645</u>	<u>28,946</u>	<u>467,906</u>
<b>Total additions</b>	<u>504,299</u>	<u>135,173</u>	<u>41,455</u>	<u>680,927</u>
<b>DEDUCTIONS</b>				
Administrative expenses:				
Actuarial	8,100	2,127	1,395	11,622
Legal	26,871	8,526	2,463	37,860
Other fees	<u>2,693</u>	<u>1,349</u>	<u>915</u>	<u>4,957</u>
Total administrative expenses	<u>37,664</u>	<u>12,002</u>	<u>4,773</u>	<u>54,439</u>
Benefits and termination payments	<u>203,762</u>	<u>98,915</u>	<u>31,032</u>	<u>333,709</u>
<b>Total deductions</b>	<u>241,426</u>	<u>110,917</u>	<u>35,805</u>	<u>388,148</u>
<b>NET INCREASE (DECREASE)</b>	<u>262,873</u>	<u>24,256</u>	<u>5,650</u>	<u>292,779</u>
NET POSITION, beginning of year	<u>4,025,781</u>	<u>1,287,090</u>	<u>352,058</u>	<u>5,664,929</u>
NET POSITION, end of year	<u>\$ 4,288,654</u>	<u>\$ 1,311,346</u>	<u>\$ 357,708</u>	<u>\$ 5,957,708</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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 8, 2015.

**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 weaknesses 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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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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Purvis, Gray and Company, LLP*

January 8, 2015  
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

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

**Report on Compliance**

We have examined the City of Fort Meade's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2014, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

**Management's Responsibility**

Management is responsible for the City's compliance with those requirements.

**Accountants' Responsibility**

Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

**Opinion**

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

**Restriction on Use**

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

*Purvis, Gray and Company, LLP*

January 8, 2015  
Sarasota, Florida

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## MANAGEMENT LETTER

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

### Report on the Financial Statements

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, 2014, and have issued our report thereon dated January 8, 2015.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

### Other Reports

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*; and Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes. Disclosures in those reports, which are dated January 8, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The required disclosure for the primary government and component unit is made in Note 1.

### Financial Condition

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we report the result of our determination as to whether or not the City 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *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.

### Certified Public Accountants

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

## MANAGEMENT LETTER

(Continued)

### Annual Financial Report

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

### Other Matters

Section 10.554(1)(i)2., *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.

- **2014.1 - Utility Accounts Receivable Subsidiary**—Upon our request, the City was unable to generate a utility accounts receivable subsidiary listing that reconciled to the general ledger control accounts at September 30, 2014. A monthly reconciliation to such a listing is an important step in ensuring that utility revenues are recorded accurately, and billing adjustments are properly authorized and supported. We recommend the City work with their accounting consultant or software vendor to design a report that can be used in a monthly reconciliation process.

Section 10.554(1)(i)3., *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 offer the following findings:

- **2014.2 - Power Cost Adjustment (PCA) Tariff**—The City adopted a new PCA tariff in August 2014 (Ordinance 14-09), but has not implemented it. The tariff requires the pass-through of certain “power related expenses” such as those related to the operation of the diesel generators and the demand side management program. To-date, such costs have not been included in the monthly PCA. In addition, there are other provisions of the new tariff that the City is not sure how to implement, such as how to maintain a rate stabilization fund in the City’s current under-recovery position. We recommend the City work with their consultants to revise and/or implement this new tariff.
- **2014.3 - Utility Rates**—During our year-end audit procedures, we were notified by City staff that the 2% sewer rate increase which should have been effective October 1, 2013, (per Ordinance 13-3), was not implemented until March 2014. We recommend the City review their procedures over implementing future utility rate changes.

### Purpose of this Letter

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

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

**MANAGEMENT LETTER**  
*(Concluded)*

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

*Purvis, Gray and Company, LLP*

January 8, 2015  
Sarasota, Florida



January 13, 2015

Mayor Elliott and City Commissioners  
City of Fort Meade  
8 West Broadway Street  
Fort Meade, FL 33841

RE: Fiscal Year 2014 Audit Findings

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Dear Mayor Elliott and City Commissioners,

Please see below the City's response to Fiscal Year 2014 audit findings as identified by Purvis Gray & Company.

■ **2014.1 - Utility Accounts Receivable Subsidiary**—Upon our request, the City was unable to generate a utility accounts receivable subsidiary listing that reconciled to the general ledger control accounts at September 30, 2014. A monthly reconciliation to such a listing is an important step in ensuring that utility revenues are recorded accurately, and billing adjustments are properly authorized and supported. We recommend the City work with their accounting consultant or software vendor to design a report that can be used in a monthly reconciliation process.

Response: The City will work with software vendor ADG to identify a report and process to reconcile utility accounts receivable each month.

Section 10.554(1)(i)3., *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 offer the following findings:

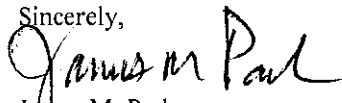
■ **2014.2 - Power Cost Adjustment (PCA) Tariff**—The City adopted a new PCA tariff in August 2014 (Ordinance 14-09), but has not implemented it. The tariff requires the pass-through of certain “power related expenses” such as those related to the operation of the diesel generators and the demand side management program. To-date, such costs have not been included in the monthly PCA. In addition, there are other provisions of the new tariff that the City is not sure how to implement, such as how to maintain a rate stabilization fund in the City's current under-recovery position. We recommend the City work with their consultants to revise and/or implement this new tariff.

Response: The City will work with our consultants to identify a process to implement the new PCA tariff.

■ **2014.3 - Utility Rates**—During our year-end audit procedures, we were notified by City staff that the 2% sewer rate increase which should have been effective October 1, 2013, (per Ordinance 13-3), was not implemented until March 2014. We recommend the City review their procedures over implementing future utility rate changes.

Response: The City has taken measures to ensure the annual Water and Sewer rates increase will not be overlooked.

Sincerely,



James M. Parker  
Finance Director