

**ANNUAL FINANCIAL REPORT
OF THE
CITY OF ARCADIA, FLORIDA**

For the Fiscal Year Ended September 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Council
and City Administrator
City of Arcadia, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Arcadia, Florida (“the City”), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arcadia, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 through 13 and 57 through 60, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 20, 2011

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

The City of Arcadia, Florida's (the "City") discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the City's financial statements (beginning on page 15).

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

Financial Highlights

- The assets of the City of Arcadia exceeded its liabilities at September 30, 2010, by \$19,789,416 (net assets). Of this amount, \$503,051 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2010, the City of Arcadia's governmental funds reported combined ending fund balances of \$4,390,027, for an increase of \$89,997 in comparison with the prior year. Of this amount, \$3,527,899 is available for spending at the City's discretion (unreserved fund balance).
- The City's total net assets decreased \$1,107,202. Net assets for governmental activities decreased \$511,133, while net assets for business-type activities decreased \$596,069.
- Total debt for the City decreased \$574,455 or 12% during the current fiscal year as a result of normal debt service payments.
- As of September 30, 2010, the City's net assets held in trust for the Police Officers' and Firefighters' Pension Trust increased \$712,783 from \$6,503,853 to \$7,216,636.

USING THIS ANNUAL REPORT

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government), and enhance the City's accountability.

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

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

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 focus is on "activities," rather than "fund types." The Statement of Net Assets and the Statement of Activities appear on pages 15 to 17 of the report.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The focus of the Statement of Net Assets (the "unrestricted net assets") is designed to be similar to bottom line results for the City and its governmental and business-type activities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities presents information showing the City's net asset changes during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, 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 reflect the City's basic service, including police, fire, highways and streets, sanitation, and parks and recreation. Property taxes, sales and use taxes, utility services, and gas taxes finance the majority of these services. The Business-Type Activities reflect private sector type operations such as Water and Sewer Services, where the fee for service typically covers all or most of the cost of operation including depreciation.

The government-wide financial statements include only the City of Arcadia (known as the primary government). There are no component units.

The government-wide financial statements can be found on pages 15 to 17 of this report.

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

Fund Financial Statements

A fund is a self-balancing set of accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be grouped into three categories: governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on the major funds, rather than fund types.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in the evaluation of the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Because of the different measurement focus (current financial resources versus total economic resources) a reconciliation of both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances is provided (see pages 19 and 21) to facilitate the comparison between governmental funds and governmental activities. The flow of current financial resources will reflect debt proceeds and interfund transfers as other financing sources as well as capital outlays and debt principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (debt and others) into the Governmental Activities column (in the government-wide statements).

The City maintains seven (7) individual governmental funds, one (1) proprietary fund, and one (1) fiduciary fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Street Reserve Fund, and Capital Improvement Fund, which are all considered major funds. Data from the other four (4) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report, immediately following the required supplementary information.

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

The City adopts annual appropriated budgets for the General Fund, Street Reserve Fund, Capital Improvement Fund, Fire Protection Services Fund, Infrastructure Fund, and Water and Sewer Fund. Budgetary comparison schedules have been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18 to 21 of this report.

Proprietary Funds. The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its public utilities system. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not utilize internal service funds.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 22 to 26 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City (e.g., pension beneficiaries). The City uses a fiduciary fund to account for the Police Officers' and Firefighters' Pension Trust Fund. 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 basic fiduciary fund financial statements can be found on pages 27 and 28 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 can be found on pages 29 to 56 of this report.

Infrastructure Assets. Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, under ground pipes not associated with a utility, etc.) had not been reported nor depreciated in governmental financial statements. Governmental Accounting Standards Board Statement 34 required that these assets be valued and reported within the governmental column of the government-wide statements.

The City has elected to depreciate its infrastructure assets.

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$19,789,416 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (82%) reflects its investment in capital assets (e.g., land, building, 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 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.

**Table 1
City of Arcadia's Net Assets
As of September 30, 2010**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,626,791	4,567,438	635,379	1,090,288	5,262,170	5,657,726
Capital assets	7,000,757	7,181,055	13,395,639	14,060,132	20,396,396	21,241,187
Total assets	<u>\$ 11,627,548</u>	<u>11,748,493</u>	<u>14,031,018</u>	<u>15,150,420</u>	<u>25,658,566</u>	<u>26,898,913</u>
Long-term liabilities outstanding	\$ 943,149	522,317	4,289,102	4,806,166	5,232,251	5,328,483
Other liabilities	236,764	267,408	400,135	406,404	636,899	673,812
Total liabilities	<u>4 1,179,913</u>	<u>789,725</u>	<u>4,689,237</u>	<u>5,212,570</u>	<u>5,869,150</u>	<u>6,002,295</u>
Invested in capital assets, net of related debt	\$ 7,000,757	7,181,055	9,246,921	9,336,960	16,247,678	16,518,015
Restricted	2,274,214	3,277,819	764,473	473,629	3,038,687	3,751,448
Unrestricted	1,172,664	499,894	(669,613)	127,261	503,051	627,155
Total net assets	<u>\$ 10,447,635</u>	<u>10,958,768</u>	<u>9,341,781</u>	<u>9,937,850</u>	<u>19,789,416</u>	<u>20,896,618</u>

A portion of the City's net assets, \$3,038,687 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$503,051, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for the governmental activities.

For more detailed information see the Statement of Net Assets (page 15).

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

Normal Impacts

There are six (6) basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

Net Results of Activities – will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for Capital – will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – will reduce current assets and increase capital assets. There is a second impact, an increase in capital assets and an increase in related net debt, which will not change the invested in capital assets, net of debt.

Spending of Non-borrowed Current Assets on New Capital – will: (a) reduce current assets and increase capital assets and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Principal Payment on Debt – will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation – will reduce capital assets and invested in capital assets, net of debt.

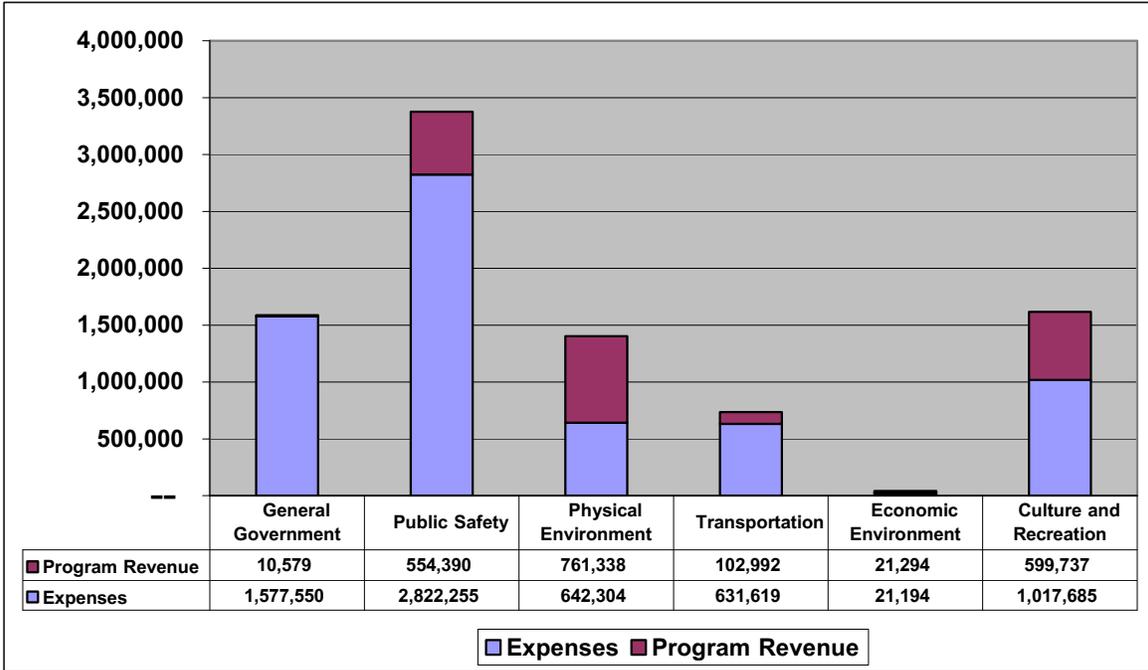
CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

Table 2
City of Arcadia's
Changes in Net Assets

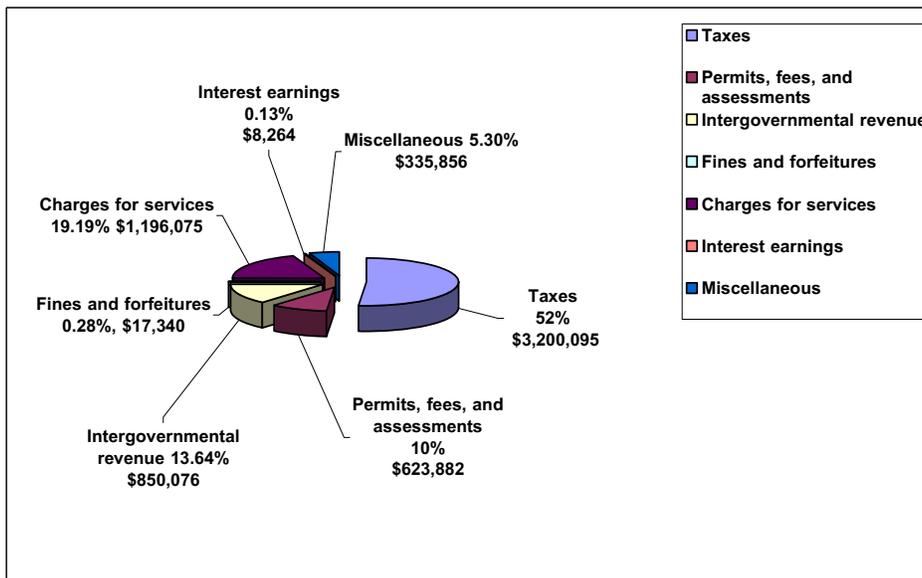
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for services	\$ 1,577,376	1,742,451	2,693,443	2,440,977	4,270,819	4,183,428
Operating grants	262,717	94,237	--	--	262,717	94,237
Capital grants	210,137	246,936	--	--	210,137	246,936
General Revenues						
Property taxes	1,737,323	1,673,791	--	--	1,737,323	1,673,791
Other taxes	1,462,772	1,493,311	--	--	1,462,772	1,493,311
Franchise fees	428,920	475,917	--	--	428,920	475,917
Intergovernmental	425,792	442,462	--	--	425,792	442,462
Other	126,551	164,413	24,013	42,643	150,564	207,056
Total revenues	<u>6,231,588</u>	<u>6,333,518</u>	<u>2,717,456</u>	<u>2,483,620</u>	<u>8,949,044</u>	<u>8,817,138</u>
Expenses						
General government	1,577,550	1,105,679	--	--	1,577,550	1,105,679
Public safety	2,822,255	2,468,326	--	--	2,822,255	2,468,326
Physical environment	642,304	599,620	--	--	642,304	599,620
Transportation	631,619	569,239	--	--	631,619	569,239
Economic environment	21,194	5,000	--	--	21,194	5,000
Human services	-	15,000	--	--	-	15,000
Culture and recreation	1,017,685	1,023,231	--	--	1,017,685	1,023,231
Water and sewer	--	--	3,343,639	3,376,165	3,343,639	3,376,165
Total expenses	<u>6,712,607</u>	<u>5,786,095</u>	<u>3,343,639</u>	<u>3,376,165</u>	<u>10,056,246</u>	<u>9,162,260</u>
Increase (decrease) in net assets						
before transfers	(481,019)	547,423	(626,183)	(892,545)	(1,107,202)	(345,122)
Capital transfers	-	(68,310)	-	68,310	--	--
Transfers	(30,114)	(306,464)	30,114	306,464	--	--
Change in net assets	<u>(511,133)</u>	<u>172,649</u>	<u>(596,069)</u>	<u>(517,771)</u>	<u>(1,107,202)</u>	<u>(345,122)</u>
Net assets - beginning of year	10,958,768	10,786,119	9,937,850	10,455,621	20,896,618	21,241,740
Net assets - end of year	<u>\$ 10,447,635</u>	<u>10,958,768</u>	<u>9,341,781</u>	<u>9,937,850</u>	<u>19,789,416</u>	<u>20,896,618</u>

CITY OF ARCADIA, FLORIDA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2010
 (UNAUDITED)

**FY 09-10
 EXPENSES AND CHARGES FOR SERVICES
 GOVERNMENTAL FUNDS**

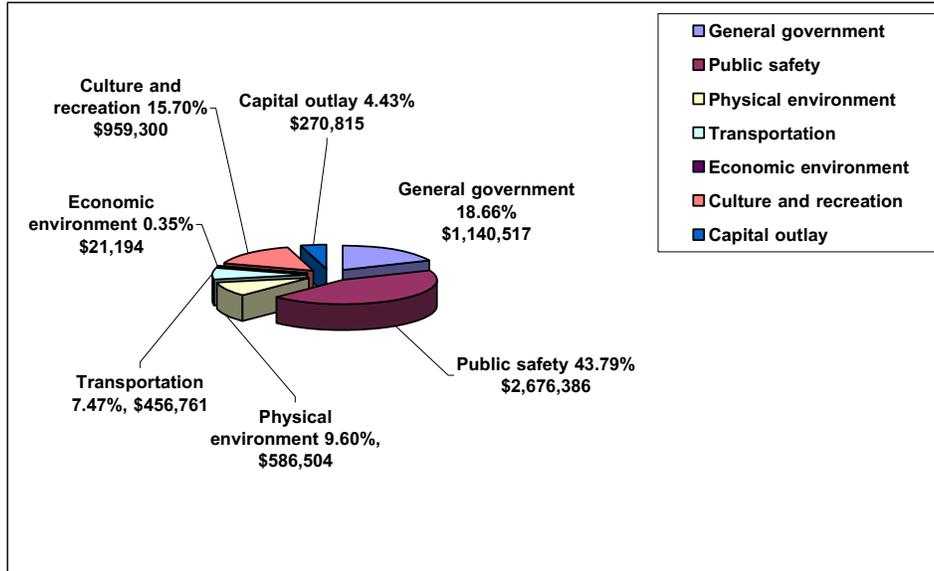


**FY 09-10
 REVENUE BY SOURCE
 GOVERNMENTAL FUNDS**



CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

**FY 09-10
EXPENDITURES BY TYPE
GOVERNMENTAL FUNDS**



Financial Analysis of the City's Funds – As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds as noted is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,390,027, an increase of \$89,997 in comparison with the prior year. Approximately 28% of this total amount, \$1,232,426, constitutes unreserved General Fund balance which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,232,426. During the current fiscal year the City's General Fund balance increased by \$62,886. The key factor for change is due to the combining of positions and no major capital equipment purchases, except for police vehicles.

Nonmajor Governmental Funds consisting of special revenue funds and capital project funds have a combined fund balance of \$839,704 of which all of it is unreserved.

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

Proprietary Funds – The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to a negative \$669,613; the decrease in net assets was \$596,069. The City increased water and sewer utility rates in December 2009, and again in the 2010-2011 fiscal year in effort to rebuild net assets in this fund.

General Fund Budgetary Highlights – Overall General Fund budgeted appropriations exceeded actual expenditures by \$382,393. This savings was due in part to a significant reduction in the actual cost of operations, not filling vacant positions, and combining job duties. There were no budget amendments during the year.

Capital Assets and Debt Administration

Capital Assets – The City's capital assets for its governmental and business-type activities as of September 30, 2010, amount to \$20,396,396 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than buildings, equipment, infrastructure, and construction in progress.

**City of Arcadia's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,568,467	1,568,467	147,123	147,123	1,715,590	1,715,590
Construction in progress	17,492	--	171,289	101,577	188,781	101,577
Buildings	2,057,042	2,126,823	2,216,606	2,437,462	4,273,648	4,564,285
Improvements other than buildings	768,891	864,178	--	--	768,891	864,178
Infrastructure	2,291,711	2,344,452	10,493,263	10,888,282	12,784,974	13,232,734
Machinery and equipment	297,154	277,135	367,358	485,688	664,512	762,823
Total	<u>\$ 7,000,757</u>	<u>7,181,055</u>	<u>13,395,639</u>	<u>14,060,132</u>	<u>20,396,396</u>	<u>21,241,187</u>

Additional information on the City's capital assets can be found in Note D of the notes to the financial statements.

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(UNAUDITED)

Long-term Debt – At the end of the 2010 fiscal year, the City had debt outstanding of \$4,148,717.

Table 4
City of Arcadia's Outstanding Debt

	<u>Business-type Activities</u>	
	<u>2010</u>	<u>2009</u>
Note payable	225,169	441,781
Capital lease payable	755,121	898,621
Bonds payable	3,168,427	3,382,770
Total	<u>4,148,717</u>	<u>4,723,172</u>

Debt balances decreased \$574,455 due to normal debt service payments made throughout the year.

Additional information on the City's long-term debt can be found in Note E of the notes to the financial statements.

Economic Factors and Next Year's Budget

For Fiscal Year 2009/2010 and going into 2010/2011, the City continues to see a reduction in ad valorem taxes part of which was brought about by the Legislature's Tax Reform efforts and part due to the decline in property values. These issues have had a significant impact on the City's ability to increase fund balance. Any savings the City achieved by combining vacant positions has been negated by the additional homestead exemption and reduction in taxable values.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Arcadia's financial condition and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Arcadia, Finance Officer, P. O. Box 1000, Arcadia, Florida 34265.

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BASIC FINANCIAL STATEMENTS

CITY OF ARCADIA, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,326,526	--	3,326,526
Accounts receivable, net of allowance	187,181	329,010	516,191
Taxes receivable	75,598	--	75,598
Internal balances	800,687	(800,687)	--
Due from other governments	193,116	21,386	214,502
Prepays	43,683	--	43,683
Restricted assets:			
Cash and cash equivalents	--	1,009,288	1,009,288
Deferred charges	--	76,382	76,382
Capital assets:			
Land	1,568,467	147,123	1,715,590
Buildings	3,197,068	8,194,420	11,391,488
Improvements other than buildings	2,690,793	--	2,690,793
Machinery and equipment	3,935,170	4,010,863	7,946,033
Infrastructure	3,822,037	16,760,779	20,582,816
Construction in process	17,492	171,289	188,781
Accumulated depreciation	(8,230,270)	(15,888,835)	(24,119,105)
TOTAL ASSETS	<u>\$ 11,627,548</u>	<u>14,031,018</u>	<u>25,658,566</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 105,255	81,720	186,975
Accrued expenses	79,721	22,199	101,920
Accrued interest	--	2,224	2,224
Unearned revenue	51,788	--	51,788
Current liabilities payable from restricted assets:			
Accrued interest	--	49,177	49,177
Customer deposits	--	244,815	244,815
Bonds payable - current portion	--	241,667	241,667
Non-current liabilities:			
Due within one year	85,000	399,510	484,510
Due in more than one year	858,149	3,647,925	4,506,074
Total liabilities	<u>1,179,913</u>	<u>4,689,237</u>	<u>5,869,150</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,000,757	9,246,921	16,247,678
Restricted for:			
Debt service	--	764,473	764,473
Capital projects	1,055,979	--	1,055,979
Renewal and replacement	1,218,235	--	1,218,235
Unrestricted	1,172,664	(669,613)	503,051
Total net assets	<u>10,447,635</u>	<u>9,341,781</u>	<u>19,789,416</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,627,548</u>	<u>14,031,018</u>	<u>25,658,566</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ARCADIA, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,577,550	10,479	100	--
Public safety	2,822,255	210,800	192,953	150,637
Physical environment	642,304	701,838	--	59,500
Transportation	631,619	54,522	48,470	--
Economic environment	21,194	--	21,194	--
Culture and recreation	1,017,685	599,737	--	--
	<u>6,712,607</u>	<u>1,577,376</u>	<u>262,717</u>	<u>210,137</u>
Business-type activities:				
Water and sewer	<u>3,343,639</u>	<u>2,693,443</u>	<u>--</u>	<u>--</u>
Total business-type activities	<u>3,343,639</u>	<u>2,693,443</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 10,056,246</u>	<u>4,270,819</u>	<u>262,717</u>	<u>210,137</u>

General revenues:
Property taxes
Local option gas tax
Insurance premium tax
Infrastructure tax
Public service taxes
Communications services taxes
Business license taxes
Franchise fees
State revenue sharing
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net assets
Net assets, beginning of year
Net assets, end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
(1,566,971)	--	(1,566,971)
(2,267,865)	--	(2,267,865)
119,034	--	119,034
(528,627)	--	(528,627)
--	--	--
(417,948)	--	(417,948)
<u>(4,662,377)</u>	<u>--</u>	<u>(4,662,377)</u>
--	(650,196)	(650,196)
--	(650,196)	(650,196)
<u>(4,662,377)</u>	<u>(650,196)</u>	<u>(5,312,573)</u>
1,737,323	--	1,737,323
243,793	--	243,793
103,683	--	103,683
353,297	--	353,297
437,344	--	437,344
282,102	--	282,102
42,553	--	42,553
428,920	--	428,920
425,792	--	425,792
8,264	24,013	32,277
118,287	--	118,287
(30,114)	30,114	--
<u>4,151,244</u>	<u>54,127</u>	<u>4,205,371</u>
(511,133)	(596,069)	(1,107,202)
10,958,768	9,937,850	20,896,618
<u>\$ 10,447,635</u>	<u>9,341,781</u>	<u>19,789,416</u>

CITY OF ARCADIA, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2010

	<u>General Fund</u>	<u>Street Reserve Fund</u>	<u>Capital Improvement Fund</u>
ASSETS			
Pooled cash and cash equivalents	\$ 1,045,578	218,441	1,078,235
Non-pooled cash and cash equivalents	40,797	--	140,000
Accounts receivable, net of allowance	187,181	--	--
Taxes receivable	75,598	--	--
Due from other funds	34,993	--	--
Advances to other funds	--	818,445	--
Due from other governments	131,121	19,093	--
Prepaid items	43,683	--	--
TOTAL ASSETS	<u><u>\$ 1,558,951</u></u>	<u><u>1,055,979</u></u>	<u><u>1,218,235</u></u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 105,255	--	--
Accrued expenses	79,721	--	--
Due to other funds	46,078	--	--
Deferred revenue	51,788	--	--
Total liabilities	<u><u>282,842</u></u>	<u><u>--</u></u>	<u><u>--</u></u>
FUND BALANCES			
Reserved:			
Prepaid items	43,683	--	--
Advances to other funds	--	818,445	--
Unreserved, undesignated reported in:			
General fund	1,232,426	--	--
Capital project funds	--	237,534	1,218,235
Special revenue funds	--	--	--
Total fund balances	<u><u>1,276,109</u></u>	<u><u>1,055,979</u></u>	<u><u>1,218,235</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,558,951</u></u>	<u><u>1,055,979</u></u>	<u><u>1,218,235</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ARCADIA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL ACTIVITIES
September 30, 2010

Other Governmental Funds	Total		\$	4,390,027
		Fund balance, total governmental funds		
803,475	3,145,729	Amounts reported for governmental activities in the statement of net assets are different because:		
--	180,797			
--	187,181			
--	75,598	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
--	34,993			
--	818,445			
42,902	193,116			
--	43,683			
<u>846,377</u>	<u>4,679,542</u>	Capital assets	15,231,027	
		Less accumulated depreciation	(8,230,270)	7,000,757
		Non-current liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
--	105,255			
--	79,721	Claims payable	(484,343)	
6,673	52,751	Compensated absences	(247,343)	
--	51,788	Other post-employment benefits	(175,266)	
<u>6,673</u>	<u>289,515</u>	Net pension obligation	(36,197)	(943,149)
		Net assets, governmental activities		<u>\$ 10,447,635</u>
--	43,683			
--	818,445			
--	1,232,426			
--	1,455,769			
<u>839,704</u>	<u>839,704</u>			
<u>839,704</u>	<u>4,390,027</u>			
<u>846,377</u>	<u>4,679,542</u>			

CITY OF ARCADIA, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2010

	General Fund	Street Reserve Fund	Capital Improvement Fund
Revenues:			
Taxes	\$ 2,603,005	243,793	--
Permits, fees, and assessments	430,422	--	--
Intergovernmental revenue	769,382	--	--
Fines and forfeitures	17,340	--	--
Charges for services	1,196,075	--	--
Interest earnings	3,186	283	3,714
Miscellaneous revenue	335,856	--	--
Total revenues	5,355,266	244,076	3,714
Expenditures:			
Current:			
General government	1,140,517	--	--
Public safety	2,676,386	--	--
Physical environment	585,777	--	--
Transportation	456,761	--	--
Economic environment	--	--	--
Culture and recreation	950,446	--	--
Capital outlay	270,815	--	--
Total expenditures	6,080,702	--	--
Excess (deficiency) of revenues over (under) expenditures	(725,436)	244,076	3,714
Other financing sources (uses):			
Transfers in	920,561	--	275,100
Transfers out	(132,239)	(315,000)	(317,718)
Total other financing sources (uses)	788,322	(315,000)	(42,618)
Net change in fund balances	62,886	(70,924)	(38,904)
Fund balances, beginning of year	1,213,223	1,126,903	1,257,139
Fund balances, end of year	<u>\$ 1,276,109</u>	<u>1,055,979</u>	<u>1,218,235</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ARCADIA, 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, 2010

Other Governmental Funds	Total		
		Net change in fund balances, total governmental funds	\$ 89,997
		Amounts reported in the Statement of Activities are different because:	
353,297	3,200,095	Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	
193,460	623,882		
80,694	850,076		
--	17,340		
--	1,196,075		
1,081	8,264		
--	335,856		
628,532	6,231,588		
		Capital outlay expenditures	270,815
		Less current year depreciation	(451,113) (180,298)
--	1,140,517	Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
--	2,676,386		
727	586,504	Change in claims payable	(259,343)
--	456,761	Change in net pension obligation	33,737
21,194	21,194	Change in compensated absences	(19,960)
8,854	959,300	Change in post-employment benefits	(175,266) (420,832)
--	270,815		
30,775	6,111,477	Change in net assets of governmental activities	\$ (511,133)
597,757	120,111		
132,239	1,327,900		
(593,057)	(1,358,014)		
(460,818)	(30,114)		
136,939	89,997		
702,765	4,300,030		
839,704	4,390,027		

CITY OF ARCADIA, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2010

	Business-Type Activities Water and Sewer Fund
ASSETS	
Current assets:	
Restricted cash and cash equivalents:	
2003 refunding bonds, sinking fund	\$ 290,844
Customer deposits	244,815
Accounts receivable, net of allowance	329,010
Due from other funds	21,722
Due from other governments	21,386
	907,777
Non-current assets:	
Restricted cash and cash equivalents:	
2003 refunding bonds, reserve funds	438,520
State revolving fund loan, reserve funds	35,109
Deferred charges	76,382
	550,011
Capital assets:	
Land	147,123
Buildings	8,194,420
Infrastructure	16,760,779
Machinery and equipment	4,010,863
Construction in progress	171,289
	29,284,474
Less: accumulated depreciation	15,888,835
	13,395,639
TOTAL ASSETS	\$ 14,853,427

The notes to the financial statements are an integral part of this statement.

	Business-Type Activities Water and Sewer Fund
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 81,720
Accrued payroll	22,199
Due to other funds	3,964
Advances from other funds	818,445
Accrued interest	2,224
Current liabilities payable from restricted assets:	
Accrued interest	49,177
Customer deposits	244,815
Bonds payable, 2003 refunding bonds, current portion	241,667
Compensated absences - current portion	15,000
Capital lease payable - current portion	111,008
Bonds payable, current portion	48,333
Loans payable, current portion	225,169
 Total current liabilities	 <u>1,863,721</u>
Non-current liabilities:	
Compensated absences	71,456
Other post-employment benefits	53,928
Capital lease payable	644,113
Bonds payable	2,878,428
 Total non-current liabilities	 <u>3,647,925</u>
 Total liabilities	 <u>5,511,646</u>
Net assets:	
Invested in capital assets, net of related debt	9,246,921
Restricted:	
Debt service	764,473
Unrestricted, unreserved	(669,613)
 Total net assets	 <u>9,341,781</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>14,853,427</u>

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For The Year Ended September 30, 2010

	Business-Type Activities Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 2,642,630
Tap fees	13,254
Miscellaneous	37,559
Total operating revenues	2,693,443
Operating expenses:	
Personal services	1,018,264
Operating expenses	1,068,961
Depreciation	1,016,640
Total operating expenses	3,103,865
Operating loss	(410,422)
Nonoperating revenues (expenses):	
Interest earnings	24,013
Interest and fiscal agent fees	(239,774)
Total nonoperating revenues (expenses)	(215,761)
Loss before transfers	(626,183)
Transfers in	317,718
Transfers out	(287,604)
Change in net assets	(596,069)
Total net assets, beginning of year	9,937,850
Total net assets, end of year	\$ 9,341,781

The notes to the financial statements are an integral part of this statement.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2010

	Business-Type Activities Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,628,625
Cash paid to suppliers	(1,077,064)
Cash paid to employees	(963,211)
Cash paid for interfund loans	(114,089)
Net cash provided by operating activities	474,261
Cash flows from noncapital financing activities:	
Transfer from other funds	317,718
Transfer to other funds	(287,604)
Net cash provided by noncapital financing activities	30,114
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(352,147)
Payments of long-term debt principal	(640,112)
Payments of interest expense and fiscal charges	(171,449)
Net cash used by capital and related financing activities	(1,163,708)
Cash flows from investing activities:	
Interest received	26,817
Net cash provided by investing activities	26,817
Net decrease in cash and cash equivalents	(632,516)
Cash and cash equivalents, beginning of year	1,641,804
Cash and cash equivalents, end of year	\$ 1,009,288
Cash and cash equivalents	
Cash and cash equivalents, restricted	\$ 1,009,288

(Continued)

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
For the Year Ended September 30, 2010

	Business-Type Activities Water and Sewer Fund
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (410,422)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,016,640
(Increase) decrease in:	
Accounts receivable	(52,574)
Due from other funds	(21,722)
Due from other governments	(21,386)
Increase (decrease) in:	
Accounts payable	(502)
Accrued expenses	(7,601)
Accrued payroll	(2,337)
Due to other funds	(92,367)
Customer deposits	9,142
Compensated absences	3,462
Other post-employment benefits	53,928
	\$ 474,261
Noncash investing, capital and financing activities:	
Amortization of loss and discount on refunding bonds	\$ 65,658
Amortization of bond issue costs	\$ 7,638

CITY OF ARCADIA, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
September 30, 2010

	<u>Police Officers' and Firefighters' Pension Trust</u>
ASSETS	
Cash	\$ 657
Contributions receivable	22,938
Interest receivable	23,174
Investments:	
Money market funds	216,091
U.S. Government and agencies	1,648,808
Corporate bonds	1,114,158
Corporate stocks	4,363,128
Total investments	<u>7,342,185</u>
TOTAL ASSETS	<u>7,388,954</u>
LIABILITIES	
Accounts payable	12,072
Drop plan payable	<u>160,246</u>
Total liabilities	<u>172,318</u>
NET ASSETS	
Net assets held in trust for:	
Pension benefits	<u>\$ 7,216,636</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended September 30, 2010

	<u>Police Officers' and Firefighters' Pension Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 189,527
Plan member	84,833
State of Florida	<u>103,683</u>
Total contributions	<u>378,043</u>
Investment income:	
Net increase in fair value of investments	492,022
Gain on sale of investments	238,093
Interest and dividends	<u>152,625</u>
Total investment income	882,740
Less investment expenses	<u>53,190</u>
Net investment income	<u>829,550</u>
Total additions	<u>1,207,593</u>
DEDUCTIONS	
Benefits	397,508
Administrative expenses	25,770
Refund of contributions	25,035
Drop plan	<u>46,497</u>
Total deductions	<u>494,810</u>
Change in net assets	712,783
Net assets held in trust for pension benefits:	
Net assets, beginning of year	<u>6,503,853</u>
Net assets, end of year	<u><u>\$ 7,216,636</u></u>

The notes to the financial statement are an integral part of this statement.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Arcadia, Florida (“the City”), have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. The Financial Reporting Entity

The City began as a small ranching and farming settlement on the bluff overlooking the Peace River in 1883. The City was first chartered in 1886 and became the County Seat of DeSoto County in 1888. It was granted its present Charter in 1901, established under the 1901 Laws of Florida, Chapter 5080. It is located in Central Florida near the intersection of U.S. Highway 17 and State Road 70, and is comprised of approximately 4.1 square miles with a population of approximately 6,900. The City operates under an elected Council (five members rotate as Mayor) administrative/legislative form of government and provides the following services as authorized by its charter: police and fire protection, emergency medical services, waste collection, parks and recreation, certain social services, and general administration. In addition, the City owns and operates a water system and sewer system. Fire services are contracted with Desoto County.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the accompanying financial statements include all funds for which the City is financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body and: (1) the ability of the City to impose its will on that organization, or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Other considerations are whether the organization is legally separate, whether the City holds the corporate powers of the organization, and whether there is fiscal dependency by the organization on the City. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

The Arcadia Housing Authority (AHA) was created by Chapter 421 of the Florida Statutes, 1941, as amended by Chapter 21697 and 21699, Laws of 1943, and approved May 11, 1943. The City and the AHA entered into a cooperative agreement on March 19, 1962. The City Council has the responsibility of ratifying the appointment of AHA Board members. The City's accountability for this organization does not extend beyond this role.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues and all other governmental fund revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, such as in grants and similar items, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Permits and assessments, fines and forfeitures, charges for services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. Utility services, investment earnings, franchise fees, and utility taxes are recorded as earned, since they are measurable and available.

Property taxes are recognized as revenue at the time an enforceable legal claim is established. This is determined to occur November 1 of each year. The assessment roll is validated July 1 and the millage resolution is approved by September 30. The City's property taxes become a lien on October 1 and the tax is levied by DeSoto County each November 1 for real and personal property located in the City. Property taxes are due before April 1 with the maximum discount available if payment is made on or before November 30. If payment remains delinquent, a tax certificate for the full amount of any unpaid taxes is sold no later than June 1. Under this arrangement, there are no property tax receivables at the end of the fiscal year on September 30.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *street reserve fund* is used to account for the receipt, custody, and expenditure of local option gas tax revenues for maintaining streets and roads.

The *capital improvement fund* is used to account for the receipt, custody, and expenditure of funds designated as capital improvement funds.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities associated with providing water and sewer services to the residents of the City. The City operates a sewage treatment plant, sewage pumping stations and collection systems, and a water distribution system.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the government reports the following fund type:

The *pension trust fund* accounts for the activities of the City's fire and police pension trust fund which accumulates resources for pension benefit payments to qualified pension employees.

Private-sector standards and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City's enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. Assets, Liabilities, and Net Assets or Equity

(a) Deposits and investments

The City maintains a pooled cash account that is available for use by all funds, except the pension trust fund. Each fund's portion of this pool is presented as "Pooled cash and cash equivalents" in the financial statements. Interest income earned as a result of pooling is distributed monthly to the appropriate funds based on average daily balances.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, non-pooled cash and cash equivalents are separately held by several of the City's funds. The government's non-pooled cash and cash equivalents are considered to be cash on hand, demand deposits, and interest-bearing time deposits. Investments are held only in the pension trust fund and consist of short-term investments and marketable securities reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales quote at current exchange rates. Investments that do not have an established market are reported at estimated fair value based on market indicators regarded as measures of equity or fixed income performance results. The City does not have a significant amount of investments valued at other than quoted market prices.

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral for their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions providing full insurance for public deposits. The City had deposits only with qualifying institutions as of September 30, 2010.

The City has no written investment policy and invests surplus funds for the governmental and business-type activities in interest-bearing time deposits at qualified public depositories in accordance with Florida Statutes, Section 218.415(17).

(b) Receivables and payables

Outstanding balances between funds are reported as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Unbilled service receivables represent the estimated amount of accounts receivable for services that have not yet been billed. The amount represents a timing difference between the end of the financial statement cycle (month end) and the billing cycle (varying dates each billing period). All receivables are shown net of an allowance for uncollectibles.

Receivables are shown net of an allowance for uncollectibles. The accounts receivable in excess of 90 days for water, sewer, garbage, and utility tax revenues comprises the allowance for uncollectibles. The allowance for uncollectibles as of September 30, 2010 was \$115,286 in the general fund and \$616,868 in the water and sewer fund.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Restricted assets

Certain proceeds of the City's state revolving fund loans in the enterprise fund, as well as certain resources set aside for their repayment and the repayment of the refunding bonds, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. In addition, customer deposits being held for water and sewer utility accounts are restricted.

(d) Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. 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 asset life are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-40
Water and sewer systems	15-40
Public domain infrastructure	15-40
Improvements	10-15
Equipment	5-10

(e) Compensated absences

Accumulated unpaid vacation time, compensatory time and sick time amounts, including the related direct and incremental salary related payments, are accrued in the enterprise fund and appear as increases in salary expenses. In governmental funds, these costs are recognized when payments are made to employees or when the costs mature as a result of employee resignation or retirement.

All vacation, compensatory, and sick pay is accrued when incurred in the government-wide financial statements.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(g) Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(h) Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations. All net assets not reported as net assets invested in capital assets, net of related debt and restricted net assets, are reported as unrestricted net assets.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted for the General Fund, Fire Protection Services Fund, Street Reserve Fund, Capital Improvement Fund, Infrastructure Fund and Water and Sewer Enterprise Fund. Special revenue funds for grants do not have formal budgets prepared because their expenditures are controlled by the individual grant provisions. The enterprise fund budget is prepared on a basis similar to the budgets for governmental type funds. All budgets presented are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that capital outlays, rather than depreciation expense, is treated as an expense in the year budgeted for the enterprise funds.

No later than two months prior to the end of the fiscal year, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them by fund. The Council holds public hearings to obtain taxpayer comments and a final budget must be prepared and adopted by October 1, through the passage of a resolution.

The appropriated budget is prepared by fund, function and department. The City Administrator has the authority to make line item transfers within departmental budgets with all such adjustments reported to the City Council. Transfers of appropriations between departments and changes in total budget appropriations for a fund require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level for the general fund and water and sewer fund, and the fund level for all other funds. The Council retains the right to amend the budget as necessary throughout the course of the year.

Budget amounts in the accompanying financial statements are as originally adopted, or as amended by the appropriate authority. There were no budget amendments in the current fiscal year.

Encumbrances, in the form of pending purchase orders and contracts, lapse at the end of the fiscal year. They will become expenditures upon vendor performance and will be charged against the ensuing year's budget.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

For the year ended September 30, 2010, expenditures exceeded appropriations in the legislative (\$11,077), executive (\$51,599), legal counsel (\$33,882), law enforcement (\$30,276), and roads and streets (\$21,429) departments of the general fund and the water treatment plant (\$8,893) and wastewater treatment plant (\$40,637) departments of the water and sewer fund. The expenditures/expenses in excess of budget for these departments were funded by positive budget variances in other departments.

NOTE C – INVESTMENTS

As of September 30, 2010, the City had the following investments and maturities, which were all held in the Police Officers' and Firefighters' Pension Trust:

	<u>Fair Value</u>	<u>No Fixed Maturity</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10 years</u>
Money market funds	\$ 216,091	216,091	--	--	--	--
U.S. government and agencies	1,648,808	--	50,349	131,427	532,833	934,199
Corporate bonds	1,114,158	--	--	450,295	459,466	204,397
Corporate stocks	4,363,128	4,363,128	--	--	--	--
Total	<u>\$ 7,342,185</u>	<u>4,579,219</u>	<u>50,349</u>	<u>581,722</u>	<u>992,299</u>	<u>1,138,596</u>

Interest Rate Risk

The pension fund investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Florida Statutes Sections 175.071(1) and 185.06(1) limits investments to: (1) time or savings accounts of an insured financial institution administered by the Federal Deposit Insurance Corporation; (2) obligations of the United States or obligations guaranteed as to principal and interest by the United States; (3) bonds issued by the State of Israel; and (4) bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under United States law provided the corporation is listed on a national stock exchange, and in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service. In addition, the pension fund investment policy requires a ranking of A1 by Standard & Poor (S&P) or P1 by Moody's for money market funds, and all fixed income securities should be investment grade or higher as rated by Moody's and S&P. However, fixed income securities rated below BBB/Baa shall be limited to 15% of the fixed income portfolio and the average quality of the fixed income portfolio must remain A or better. The City's investments in U.S. Treasury securities in the amount of \$714,609 were rated Aaa by Moody's

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE C – INVESTMENTS (CONTINUED)

and AAA by Standard and Poor's and the City's investments in fixed income securities were rated Aaa to Baa3 by Moody's and AAA to BBB- by Standard and Pooers. The money market funds, \$934,199 in U.S. Agency securities, and the corporate stocks were not rated.

Concentration of Credit Risk

The pension fund investment policy states that the value of bonds issued by any single corporation shall not exceed 10% of the total fund, no more than 5% of the fund assets shall be invested in the common stock or capital stock of any one issuing company, and the aggregate investment in any one issuing company shall not exceed 5% of the outstanding capital stock of the company. Additionally, no more than 60% of fund net assets at cost or 70% of fund net assets at market value should be invested in corporate common stock and convertible bonds.

NOTE D – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,568,467	--	--	1,568,467
Construction in progress	--	17,492	--	17,492
Total capital assets, not being depreciated	<u>1,568,467</u>	<u>17,492</u>	<u>--</u>	<u>1,585,959</u>
Capital assets, being depreciated:				
Buildings	3,177,982	19,086	--	3,197,068
Improvements other than buildings	2,681,993	8,800	--	2,690,793
Infrastructure	3,783,319	38,718	--	3,822,037
Machinery and equipment	3,748,451	186,719	--	3,935,170
Total capital assets, being depreciated	<u>13,391,745</u>	<u>253,323</u>	<u>--</u>	<u>13,645,068</u>
Less accumulated depreciation for:				
Buildings	1,051,159	88,867	--	1,140,026
Improvements other than buildings	1,817,815	104,087	--	1,921,902
Infrastructure	1,438,867	91,459	--	1,530,326
Machinery and equipment	3,471,316	166,700	--	3,638,016
Total accumulated depreciation	<u>7,779,157</u>	<u>451,113</u>	<u>--</u>	<u>8,230,270</u>
Total capital assets, being depreciated, net	<u>5,612,588</u>	<u>(197,790)</u>	<u>--</u>	<u>5,414,798</u>
Total governmental activities capital assets, net	<u>\$ 7,181,055</u>	<u>(180,298)</u>	<u>--</u>	<u>7,000,757</u>

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the functions of the primary government as follows:

Governmental Activities

General government	\$	145,084
Public safety		62,844
Transportation		161,405
Physical environment		36,040
Culture and recreation		45,740
Total depreciation expense - governmental activities	<u>\$</u>	<u>451,113</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 147,123	--	--	147,123
Construction in progress	101,577	110,965	(41,253)	171,289
Total capital assets, not being depreciated	<u>248,700</u>	<u>110,965</u>	<u>(41,253)</u>	<u>318,412</u>
Capital assets, being depreciated:				
Buildings	8,194,420	--	--	8,194,420
Infrastructure	16,513,580	247,199	--	16,760,779
Machinery and equipment	3,975,627	35,236	--	4,010,863
Total capital assets, being depreciated	<u>28,683,627</u>	<u>282,435</u>	<u>--</u>	<u>28,966,062</u>
Less accumulated depreciation for:				
Buildings	5,756,958	220,856	--	5,977,814
Infrastructure	5,625,298	642,218	--	6,267,516
Machinery and equipment	3,489,939	153,566	--	3,643,505
Total accumulated depreciation	<u>14,872,195</u>	<u>1,016,640</u>	<u>--</u>	<u>15,888,835</u>
Total capital assets, being depreciated, net	<u>13,811,432</u>	<u>(734,205)</u>	<u>--</u>	<u>13,077,227</u>
Total business-type activities capital assets, net	<u>\$ 14,060,132</u>	<u>(623,240)</u>	<u>(41,253)</u>	<u>13,395,639</u>

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the governmental activities for the year ended September 30, 2010, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Claims payable	\$ 225,000	309,343	(50,000)	484,343	50,000
Compensated absences	227,383	84,132	(64,172)	247,343	35,000
Other post-employment benefits	--	268,326	(93,060)	175,266	--
Net pension obligation	69,934	--	(33,737)	36,197	--
	<u>\$ 522,317</u>	<u>661,801</u>	<u>(240,969)</u>	<u>943,149</u>	<u>85,000</u>

The City of Arcadia's long-term liabilities for governmental activities at September 30, 2010, consisted of the following:

Governmental Activities:

	Balances <u>September 30, 2010</u>
On November 27, 2006, the City settled a claim in the amount of \$400,000. Payments are payable monthly in amounts ranging from \$4,167 to \$7,083, with final payment in March 2014. There is no interest or finance charge applicable to this settlement.	\$ 175,000
Subsequent to year-end, on October 8, 2010, a final judgment was entered against the City regarding litigation related to a breach of contract dating back to 2005 in the amount of \$208,221. On March 16, 2011, a judgment for pre-judgment interest was entered in the amount of \$101,122. The City is currently appealing this case; however, should the plaintiff prevail post-judgment interest and attorney fees could also be awarded.	309,343
Compensated absences	247,343
Other post-employment benefits	175,266
Net pension obligation	<u>36,197</u>
	<u>\$ 943,149</u>

Long-term liabilities of the governmental activities, which include claims payable, compensated absences and the net pension obligation, are generally liquidated by the general fund.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the business-type activities for the year ended September 30, 2010, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
2003 Refunding bonds, less deferred amounts: \$	4,105,000	--	(280,000)	3,825,000	290,000
On Refunding	(693,655)	--	63,060	(630,595)	--
Bond Discount	(28,575)	--	2,598	(25,977)	--
Total bonds payable	3,382,770	--	(214,342)	3,168,428	290,000
FDEP state revolving loan	441,781	--	(216,612)	225,169	225,169
Capital lease payable	898,621	--	(143,500)	755,121	111,008
Compensated absences	82,994	3,462	--	86,456	15,000
Other post-employment benefits	--	82,565	(28,637)	53,928	--
	<u>\$ 4,806,166</u>	<u>86,027</u>	<u>(603,091)</u>	<u>4,289,102</u>	<u>641,177</u>

Business-Type Activities:

Balances
September 30, 2010

The City issued the Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003 to finance the cost of refunding the City's 1993A Pooled Governmental Unit Note outstanding in the amount of \$5,040,000, fund the required reserve account, finance the cost of expanding an existing reuse facility, and to pay a portion of the costs of issuance. Interest is payable semi-annually on June 1 and December 1, at interest rates ranging from 2.75% to 4.35%. The bonds are secured by the net revenues of the City's water and sewer system.

\$ 3,825,000

In 1989, the Florida Department of Environmental Protection made a loan to the City under the State Revolving Fund Loan Program to expand the City's wastewater treatment plant. The principal amount of the loan was \$3,199,646. Annual payments in the amount of \$234,063, including interest of 3.95%, are payable July 1.

225,169

Capital lease payable

755,121

Compensated absences

86,456

Other post-employment benefits

53,928

Less: Deferred charges

(656,572)

\$ 4,289,102

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements for the business-type activities (excluding capital leases, compensated absences, and other post-employment benefits) as of September 30, 2010, are as follows:

September 30,	Principal	Interest	Total
2011	\$ 515,169	151,895	667,064
2012	300,000	133,408	433,408
2013	310,000	122,920	432,920
2014	320,000	111,695	431,695
2015	330,000	99,708	429,708
2016-2020	1,855,000	288,419	2,143,419
2021	420,000	9,135	429,135
	<u>\$ 4,050,169</u>	<u>917,180</u>	<u>4,967,349</u>

Capital Lease

The City entered into a municipal lease/purchase agreement as lessee for financing the acquisition of new water meters for the entire City. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through the capital lease are as follows:

Asset:	Business-type Activities Water and Sewer Fund
Improvements other than buildings	\$ 1,196,296
Less: accumulated depreciation	(104,675)
	<u>\$ 1,091,621</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

Year Ending September 30,	Business-type Activities Water and Sewer Fund
2011	\$ 141,272
2012	141,272
2013	141,272
2014	141,272
2015	141,272
2016-2017	153,044
Total minimum lease payments	859,404
Less: amount representing interest	(104,283)
Present value of minimum lease payments	<u>\$ 755,121</u>

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Rate Covenant

In accordance with the Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003, the City has a covenant to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals and other charges for the use of the products, services and facilities of the water and sewer system which shall provide revenues sufficient to pay: (i) 100% of all cost of operation and maintenance as the same shall become due in such year, (ii) 125% of the bond service requirement due in such year on the outstanding bonds, and (iii) 100% of all other deposits to be made pursuant to the resolution and all other amounts payable from pledged revenues. For fiscal year September 30, 2010, the City did not collect sufficient revenues to satisfy 125% of the bond service requirement from pledged revenues. During the year, the City increased water and wastewater utility rates 20%.

NOTE F – FLORIDA DEPARTMENT OF ENVIRONMENTAL REGULATION GRANT

Under requirements of the Florida Department of Environmental Regulation Grant for the upgrade of the City's Wastewater Treatment Plant, the City is required to make contributions to the Capital Improvements Trust Fund in the amount of \$275,109 by July 1, 1993, and annually thereafter for the next nineteen years. These contributions are to provide funds for capital improvements in both the water and sewer systems. During the fiscal year ended September 30, 2010, the Enterprise Fund and the Infrastructure Fund contributed \$87,609 and \$187,500, respectively, to the Capital Improvement Fund.

NOTE G – INSURANCE COVERAGE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through commercial insurance carriers. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. At year-end, the City did not have any significant claims. There were no significant changes in coverage retention or limits during the fiscal year. The general fund handles property claims for the City and absorbs the loss for any amount below the deductible amounts.

The City provides workers' compensation insurance on its employees through Preferred Government Claims Solutions. Workers' compensation premiums are subject to change when audited by Preferred Government Claims Solutions. At year-end September 30, 2010, all adjustments to the workers' compensation premium have been recorded.

CITY OF ARCADIA, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2010, is as follows:

Due from/ Due to:

	Due from	Due to
Governmental Activities:		
General Fund	\$ 34,993	46,078
Nonmajor Fund:		
Disaster Assistance Fund	--	6,673
	34,993	52,751
Business-Type Activities:		
Water and Sewer Fund	21,722	3,964
	\$ 56,715	56,715

The outstanding balances between funds result mainly from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances to/Advances from:

	Advances to	Advances from
Governmental Activities:		
Street Reserve Fund	\$ 818,445	--
Business-Type Activities:		
Water and Sewer Fund	--	818,445
	\$ 818,445	818,445

Funds were advanced to the Water and Sewer fund for operations.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers:

	Transfers in	Transfers out
Governmental Activities:		
General Fund	\$ 920,561	132,239
Street Reserve Fund	--	315,000
Capital Improvement Fund	275,100	317,718
Nonmajor Funds:		
Fire Protection Services Fund	--	193,460
Disaster Assistance Fund	132,239	--
Infrastructure Fund	--	399,597
	1,327,900	1,358,014
Business-Type Activities:		
Water and Sewer Fund	317,718	287,604
	\$ 1,645,618	1,645,618

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund budgeted to expend them, (2) use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) make transfers in accordance with bond covenants.

NOTE I – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable for grants are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS

The City maintains two single-employer defined benefit public employee retirement systems. One is for police officers and former firefighters, and one is for all other employees of the City. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans.

The Employees' Plan is an insured plan under which an insurance company is contractually obligated to accumulate funds and pay benefits. Therefore, there are no financial statements related to the Employees' Plan included in this report.

The Police Officers' and Firefighters' Plan financial statements are reported as a Pension Trust Fund in the Fiduciary Fund financial statements. These statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized as revenues when due and when the employer has made a formal commitment to provide the contributions. State contributions are recognized in the period payment is made from the State. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Retirement Plan for Employees of the City of Arcadia (Except for Police Officers and Firefighters)

Plan Description – The Retirement Plan for Employees of the City of Arcadia is a single-employer contributory defined benefit plan administered by the City of Arcadia covering all municipal employees except for police officers and firefighters. The Plan has purchased annuity contracts for the individual members from an insurance company. The insurance company has undertaken the legal obligation to pay the pension benefits of members of the Plan or their beneficiaries, as defined in the Plan. Financial information related to this Plan may be obtained in writing from the City Administrator.

All employees of the City are eligible to participate in the Plan subject to the following requirements:

- A. Agrees in writing to make member contributions.
- B. Employed by the City on a full-time basis and is not a police officer or firefighter.
- C. Completed one (1) year of continuous service.
- D. Attained age 21 but not age 65, and hired before age 55.
- E. Enters on contract anniversary.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

As of the actuarial valuation date of January 1, 2010, membership consisted of:

Retirees, disabled participants and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	28
Active employees	<u>31</u>
Total	<u><u>59</u></u>

The vesting schedule is as follows:

Age	Years of Service	Vesting %
Less than 55	Less than 5	0%
	5	50%
	6	60%
	7	70%
	8	80%
	9	90%
	10	100%
55 and over	Any number	100%

Benefits at retirement are summarized as follows:

Retirement	Benefit
Normal (age 65)	2.0% of average monthly compensation times credited service. Average monthly compensation is defined as the monthly average of total compensation for the five (5) consecutive years of highest compensation of the last ten (10) years.
Early (not more than 10 years prior to normal retirement date)	Annuity equals the accrued benefit based on service to early retirement date, reduced by early retirement factors.
Late (after normal retirement date)	Benefit based on final average earnings and credited service as of late retirement date.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

In addition, the Plan provides a pre-retirement death benefit for those who attain 50 years of age and 15 years of service. These benefit provisions and all other requirements are established by and may be amended by state statute and city ordinances.

Funding Policy – City employees are required to contribute 5% of their annual total earnings defined as those earnings subject to withholding for federal income tax purposes. The employer is required to contribute actuarially determined amounts which, together with member contributions, are sufficient to fund the System.

The amount shown below as the actuarial accrued liability is a measure intended to help users assess: (a) a pension fund's funded status on a going concern basis and (b) progress being made toward accumulating the assets needed to pay benefits as due. The frozen initial liability cost method is used. Under this method, the annual cost is equal to the normal cost, plus amortization of unfunded accrued liabilities over a fixed period of years, selected within the minimum (10 years) and maximum (5 to 30 years) periods permitted by law. When first established, the frozen initial liability is the actuarial accrued liability determined under the entry age normal cost method. At each subsequent valuation, it is adjusted for normal costs, interest, contributions and any changes due to plan amendments or changes in actuarial assumptions. Normal cost is determined as a level percentage of covered compensation of active employees.

The RP-2000 Group Annuity Mortality Tables for Males and Females is used in the calculation of benefits. Investment earnings are assumed at 6.5% per year. Salary increases are projected at 4.5% each year, with no provision for inflation. Since the Plan is in the form of a life annuity, there is no post retirement cost of living increases.

Contributions – The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

The funded status of the Plan as of the most recent actuarial report is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/10	\$ 1,760,785	2,908,228	(1,147,443)	60.54%	956,730	-119.93%

The schedule of funding progress in the required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

All actuarial methods and assumptions used in the January 1, 2010 actuarial valuation report were the same as those used in the prior report, except for the following three items. First, the mortality table for most decrements was updated to the RP2000 Combined Mortality Table. Secondly, the disability mortality table was changed to RP2000 Disabled Mortality Table. Finally, the salary scale was increased from 4.0% to 4.5% to better reflect the recent compensation/merit increase experience.

Fiscal Year Ending	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2008	\$ 134,374	115.26%	104,496
9/30/2009	156,986	98.97%	106,105
9/30/2010	164,348	121.87%	70,171

Calculation of Net Pension Obligation

	9/30/2010	9/30/2009	9/30/2008
1. NPO at beginning of period	\$ 106,105	104,496	125,002
2. Annual Pension Costs			
a. Annual Required Contribution (ARC)	167,343	160,580	137,667
b. Interest on NPO	6,897	6,792	8,125
c. Adjustments to ARC	(9,892)	(10,386)	(11,418)
d. Total = (a) + (b) + (c)	164,348	156,986	134,374
3. Contributions made	200,282	155,377	154,880
4. Increase in NPO - (2d) - (3)	(35,934)	1,609	(20,506)
5. NPO at end of period - (1) + (4)	\$ 70,171	106,105	104,496

Police Officers' and Firefighters' Retirement System

Plan Description – The Police Officers' and Firefighters' Retirement System of the City of Arcadia is a single-employer contributory defined benefit plan administered by the City covering all police officers and former firefighters of the City. The System does not issue a stand alone financial report, but is included in the pension trust fund of the City's financial statements.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

All full-time police officers and former paid firefighters are eligible to participate in the Plan. Effective June 1, 2006, the City and County consolidated fire suppression and emergency services, which resulted in the County maintaining these operations. All City firefighters became employees of the County, and were given the option to remain in the City’s pension plan or be refunded their employee contributions. Several firefighters opted out of the Plan at this time.

At September 30, 2010, membership consisted of:

Retirees, disabled participants and beneficiaries currently receiving benefits, terminated employees not yet receiving benefits and DROP participants	23
Active employees	<u>20</u>
Total	<u><u>43</u></u>

Benefits - These benefit provisions are established by state statute and City ordinances. The State of Florida, Division of Retirement reviews and accepts or rejects the actuarial valuation reports.

Retirement:

Normal (age 55 or 20 years of credited service) – 3.65% of average final compensation times the number of years of credited service;

Early (age 45 and 6 years of credited service) – Accrued benefits, reduced 3% per year for each year prior to age 55.

Disability:

Service incurred from date of employment – Benefit accrued to date of disability but not less than 42% of average final compensation, payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board);

Non-service incurred with 10 years of credited service – Benefit accrued to date of disability but not less than 42% of average final compensation, payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board).

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Death:

- Not Vested - Refund of member's contributions;
- Vested - Accrued benefit paid to beneficiary for 10 years;
- Post-retirement – According to option selected, if any.

Deferred Retirement Option Plan (DROP)

Any member who is eligible for normal retirement under the System may elect to defer receipt of such service retirement pension by participating in the DROP, while continuing their employment with the City.

The amount of the benefit under the DROP is the same as the participant would have received under the System had he or she terminated his or her employment and elected to receive monthly benefit payments. Under the DROP, amounts representing the participant's monthly benefits are maintained within the System, sharing investment gains and losses, and then made available to the participant (various payment options are available) at the end of the DROP period.

Funding Policy – The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The Plan requires each participant to contribute 9.6% of earnings.

Additional funding is provided by the State of Florida via a 1.85% tax on fire insurance premiums (firefighters), and a .85% tax on casualty insurance premiums (police officers). Any remaining amount necessary for payment of normal cost and amortization of accrued past service liability over a 30-year period is paid by the City. The required City and State contributions to the Plan for the year ended September 30, 2010, was 30.04% of payroll. Contribution requirements for the Plan are established and may be amended by state law and city ordinance.

If an employee separates service from the City before achieving 6 years of credited service, the employee will receive 100% of their contributions. After achieving 6 years of service, an employee accrues benefits to be payable at member's election, on his otherwise early or normal retirement date, or may receive a refund of member contributions if requested.

The amount shown below as the actuarial accrued liability is a measure intended to help users assess: (a) a pension fund's funded status on a going concern basis and (b) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age normal cost method. The amortization method is the level of percentage of pay, closed and the remaining

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

amortization period is 27 years as of 10/1/10. Investment earnings are assumed at 8% per year. Salary increases are projected at 7% each year, including inflation of 3%. The Plan does not provide for post retirement cost of living increases.

The funded status of the Plan as of the most recent actuarial report is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/10	\$ 7,818,443	9,210,827	(1,392,384)	84.88%	880,617	158.11%

The schedule of funding progress in the required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

There were no changes in benefits or changes in methods or assumptions since the prior valuation.

Fiscal Year Ending	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2008	\$ 120,795	99.66%	(36,572)
9/30/2009	150,054	99.73%	(36,171)
9/30/2010	191,724	98.85%	(33,974)

Calculation of Net Pension Obligation

	9/30/2010	9/30/2009	9/30/2008
1. NPO at beginning of period	\$ (36,171)	(36,572)	(36,978)
2. Annual Pension Costs			
a. Annual Required Contribution (ARC)	189,527	149,653	120,389
b. Interest on NPO	(2,894)	(2,926)	(2,958)
c. Adjustments to ARC	5,091	3,327	3,364
d. Total = (a) + (b)+ (c)	<u>191,724</u>	<u>150,054</u>	<u>120,795</u>
3. Contributions made	<u>189,527</u>	<u>149,653</u>	<u>120,389</u>
4. Increase in NPO, (2d) - (3)	<u>2,197</u>	<u>401</u>	<u>406</u>
5. NPO at end of period, (1) + (4)	<u>\$ (33,974)</u>	<u>(36,171)</u>	<u>(36,572)</u>

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS

Effective for the 2009-2010 fiscal year, the City implemented Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, for certain post-employment healthcare benefits provided by the City. The requirements of this Statement are being implemented prospectively. Accordingly, for financial reporting purposes, no liability is reported for the post-employment healthcare benefits at the date of transition.

Plan Description – The City of Arcadia provides health insurance benefits to its retired employees through a single-employer plan administered by the City. Pursuant to provisions of Section 112.0801, Florida Statutes, former employees who retire from the City and eligible dependents may continue to participate in the City’s fully-insured benefit plan for medical and prescription drug insurance coverage. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide both an explicit and implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The benefits provided under this defined benefit plan are provided for a retiree’s lifetime (or until such time at which the retiree discontinues coverage under the City sponsored plans, if earlier). The Plan does not issue a stand-alone financial report.

Funding Policy – Contribution requirements for the post-employment benefit plan of the City are established and may be amended through recommendations of the City Administrator and action from the City Council. Currently, the City’s other post-employment benefits are unfunded. The City has not advance-funded or established a funding methodology for the annual other post-employment benefit (OPEB) costs or the net OPEB obligation. For the 2009-10 fiscal year, ten retirees received other post-employment benefits. The City provided required contributions of \$121,697 toward the annual OPEB costs, in the form of age adjusted premiums paid on behalf of retirees for the fully insured benefits, and net of retiree contributions totaling \$31,428. Retirees are required to pay from 0% to 100% of the blended premium depending on their years of service and age at retirement to continue coverage under the City’s group health insurance program.

Annual OPEB Cost and Net OPEB Obligation – The City has elected to calculate the annual required contribution (ARC) and related information using the Alternative Measurement Method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The City’s annual OPEB cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
9/30/10	\$ 350,891	121,697	34.68%	229,194

The following table shows the development of the City’s annual OPEB cost and net OPEB obligation for the year:

	2010
Normal Cost	\$ 212,033
Amortization of unfunded actuarial accrued liability	138,858
Interest on normal cost and amortization	--
Annual required contribution	350,891
Interest on net OPEB obligation	--
Amortization of net OPEB obligation	--
Total expense or annual OPEB cost	350,891
Actual contributions toward OPEB cost	(121,697)
Increase in net OPEB obligation	229,194
Net OPEB obligation, beginning of year	--
NET OPEB obligation, end of year	\$ 229,194

Funded Status and Funding Progress – As of the September 30, 2010, the plan assets were \$0, the actuarial accrued liability was \$4,165,734, the total unfunded actuarial accrued liability was \$4,165,734, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$1,793,708, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 232%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts regarding the funded status of the Plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical patterns of the sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4% was used. An inflation rate of 2.8% was assumed. In addition, the Entry Age Normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at September 30, 2010 was 30 years. Health insurance trends start at 0% for the fiscal year ending in 2011 and 9% for 2012, grading down to 5% at the ultimate trend rate by 2019.

As authorized by GASB 45, the Alternative Measurement Method allows the employer to use simplifications of certain assumptions in measuring actuarial accrued liabilities and the ARC.

The following simplifying assumptions were made:

Retirement age for active employees – Active employees are assumed to retire at the age of 62 which is the typical age for normal retirement. If the employees had already attained their normal retirement age as of the time when this calculation was performed, they were assumed to retire in the next year.

Active member marital status – Assumption of marital status for active employees has been incorporated in the acceptance probability for spousal coverage. Using this approach, the percentage of future retired plan members taking spousal coverage was assumed at 20%. For active employees, spouses' genders were assumed to be opposite to the members' genders and females were assumed 3 years younger than their spouses. Covered spouse data was collected for current retired plan members as of the valuation date, and were assumed to remain unchanged until the assumed death of the spouses.

Mortality – Life expectancies were based on the 2004 United States Male and Female life tables.

Turnover – Non-group specific age-based turnover data provided in GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health insurance premiums – Health insurance premiums for retirees in effect on the fiscal year ending date were used as the basis for calculation of the present value of total benefits to be paid.

CITY OF ARCADIA, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE L – SUBSEQUENT EVENTS

On January 24, 2011, and subsequently amended on May 23, 2011, the City executed a State Revolving Fund loan agreement with the State of Florida Department of Environmental Protection in the amount of \$5,000,000 for improvements to the water treatment plant. In the event the City draws down the entire \$5,000,000 for the project, \$2,000,000 of the principal will be forgiven. Capitalized interest on the loan is estimated at \$70,900; therefore, the total amount of the loan is estimated at \$3,070,900. Annual interest on the loan will be at 3.06 percent and the loan will be repaid in 40 semi-annual loan payments starting June 15, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

In accordance with Governmental Accounting Standards, the following information is presented as a required part of the financial statements.

CITY OF ARCADIA, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 2,608,127	2,662,127	2,603,005	(59,122)
Permits, fees, and assessments	534,500	480,500	430,422	(50,078)
Intergovernmental revenue	753,889	753,889	769,382	15,493
Fines and forfeitures	39,100	39,100	17,340	(21,760)
Charges for services	1,323,242	1,323,242	1,196,075	(127,167)
Interest earnings	12,000	12,000	3,186	(8,814)
Miscellaneous revenue	271,500	271,500	335,856	64,356
Total revenues	5,542,358	5,542,358	5,355,266	(187,092)
Expenditures:				
General government				
Legislative	38,289	38,289	49,366	(11,077)
Executive	228,040	228,040	279,639	(51,599)
Financial and administrative	219,748	219,748	189,313	30,435
Legal counsel	46,650	46,650	80,532	(33,882)
Comprehensive planning	47,361	47,361	3,960	43,401
Other general government	417,168	417,168	363,620	53,548
Garage	228,544	228,544	191,579	36,965
Public safety				
Law enforcement	1,940,524	1,940,524	1,970,800	(30,276)
Fire control	856,000	856,000	832,422	23,578
School crossing guard	34,537	34,537	31,317	3,220
Physical environment				
Garbage/solid waste disposal	690,821	690,821	527,782	163,039
Cemetery	71,205	71,205	57,995	13,210
Transportation				
Roads and streets	460,291	460,291	481,720	(21,429)
Airport	24,650	24,650	21,448	3,202
Traffic control	31,432	31,432	20,877	10,555
Parks and recreation				
Recreation	136,371	136,371	121,323	15,048
Golf course	295,598	295,598	226,930	68,668
Pro shop	214,466	214,466	199,342	15,124
Parks	307,299	307,299	275,432	31,867
Mobile home park	138,701	138,701	126,174	12,527
Way building	35,400	35,400	29,131	6,269
Total expenditures	6,463,095	6,463,095	6,080,702	382,393
Excess (deficiency) of revenues over (under) expenditures	(920,737)	(920,737)	(725,436)	195,301
Other financing sources (uses):				
Transfers in	920,737	920,737	920,561	(176)
Transfers out	--	--	(132,239)	(132,239)
Total other financing sources (uses)	920,737	920,737	788,322	(132,415)
Net change in fund balance	--	--	62,886	62,886
Fund balance, beginning of year	1,213,223	1,213,223	1,213,223	--
Fund balance, end of year	<u>\$ 1,213,223</u>	<u>1,213,223</u>	<u>1,276,109</u>	<u>62,886</u>

Notes to Required Supplementary Information

The budget was prepared on the modified accrual basis of accounting. Expenditures were controlled at the department level. All annual appropriations lapse at year-end.

CITY OF ARCADIA, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 (UNAUDITED)

**General Employees Retirement System
 (Except for Police Officers and Firefighters)
 Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/10	\$ 1,760,785	2,908,228	(1,147,443)	60.54%	956,730	-119.93%
1/1/09	1,539,570	2,779,378	(1,239,808)	55.39%	960,281	-129.11%
1/1/08	1,560,424	2,630,835	(1,070,411)	59.31%	968,475	-110.53%
1/1/07	1,409,193	2,461,736	(1,052,543)	57.24%	880,464	-119.54%
1/1/06	1,322,052	1,915,929	(593,877)	69.00%	838,402	-70.83%
1/1/05	1,323,413	2,008,942	(685,529)	65.88%	896,410	-76.47%

Analysis of the dollar amounts of the actuarial value of assets or actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Retirement Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

**General Employees Retirement System
 (Except for Police Officers and Firefighters)
 Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
9/30/10	\$ 167,343	200,282	119.68%
9/30/09	160,580	155,376	96.76%
9/30/08	137,667	154,880	112.50%
9/30/07	129,704	127,831	98.56%
9/30/06	77,732	52,736	67.84%
9/30/05	86,999	47,621	54.74%

CITY OF ARCADIA, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 (UNAUDITED)

**Police Officers' and Firefighters' Retirement System
 Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/10	\$ 7,818,443	9,210,827	(1,392,384)	84.88%	880,617	158.11%
10/1/09	7,766,771	8,866,137	(1,099,366)	87.60%	932,285	117.92%
10/1/08	7,924,519	8,846,352	(921,833)	89.58%	985,275	93.56%
10/1/07	7,688,494	8,466,723	(778,229)	90.81%	939,559	82.83%
10/1/06	7,156,627	8,039,316	(882,689)	89.02%	997,814	88.46%
10/1/05	6,635,566	7,181,431	(545,865)	92.40%	1,174,953	46.46%

Analysis of the dollar amounts of the actuarial value of assets or actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Retirement Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

**Police Officers' and Firefighters' Retirement System
 Schedule of Contributions from Employer and Other Entities**

Fiscal Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
9/30/10	\$ 293,210	189,527	103,683	100.00%
9/30/09	269,187	149,653	119,534	100.00%
9/30/08	262,762	120,389	142,373	100.00%
9/30/07	234,478	106,575	127,903 *	100.00%
9/30/06	277,903	150,000	127,903 *	100.00%
9/30/05	252,411	152,441	99,970 *	100.00%

* Frozen pursuant to the provisions of Chapters 175 and 185, Florida Statutes, as amended.

CITY OF ARCADIA, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 (UNAUDITED)

**Other Post-Employment Benefits
 Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
9/30/2010	\$ --	4,165,734	(4,165,734)	0.00%	1,793,708	232.24%

Analysis of the dollar amounts of the actuarial value of assets or actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

**Other Post-Employment Benefits
 Schedule of Employer Contributions**

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
9/30/10	\$ 350,891	121,697	34.68%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

These statements and schedules provide more detailed information than can be found in the basic financial statements. The combining statements provide information on the individual nonmajor governmental funds. The schedules present detailed information at the department level for the General and Enterprise Funds.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted for particular purposes or to finance specified activities as required by law or administrative regulation.

Fire Protection Services Fund: This fund is used to account for the receipt, custody and expenditure of the City's Municipal Service Benefit Unit assessment.

Disaster Assistance Fund: This fund is used to account for funds received from insurance proceeds, the Federal Emergency Management Agency, and other sources that were expended on assistance and other mitigation costs related to Hurricane Charley.

CDBG Fund: This fund is used to account for the receipt, custody, and expenditure of Community Development Block Grant funds.

Infrastructure Fund: This fund is used to account for the receipt, custody and expenditure of infrastructure tax revenues.

CITY OF ARCADIA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2010

	Special Revenue				Total
	Fire Protection Services Fund	Disaster Assistance Fund	CDBG Fund	Infrastructure Fund	
ASSETS					
Pooled cash and cash equivalents	\$ --	--	--	803,475	803,475
Due from other governments	--	6,673	--	36,229	42,902
TOTAL ASSETS	\$ --	6,673	--	839,704	846,377
LIABILITIES AND FUND BALANCE					
Liabilities:					
Due to other funds	\$ --	6,673	--	--	6,673
Total liabilities	--	6,673	--	--	6,673
Fund Balances:					
Unreserved	--	--	--	839,704	839,704
Total fund balances	--	--	--	839,704	839,704
TOTAL LIABILITIES AND FUND BALANCES	\$ --	6,673	--	839,704	846,377

CITY OF ARCADIA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2010

	Special Revenue				Total
	Fire Protection Services Fund	Disaster Assistance Fund	CDBG Fund	Infrastructure Fund	
Revenues:					
Taxes	\$ --	--	--	353,297	353,297
Permits, fees, and assessments	193,460	--	--	--	193,460
Intergovernmental revenue	--	59,500	21,194	--	80,694
Interest earnings	--	--	--	1,081	1,081
Total revenues	<u>193,460</u>	<u>59,500</u>	<u>21,194</u>	<u>354,378</u>	<u>628,532</u>
Expenditures:					
Current:					
Physical environment	--	727	--	--	727
Economic environment	--	--	21,194	--	21,194
Culture and recreation	--	--	--	8,854	8,854
Total expenditures	<u>--</u>	<u>727</u>	<u>21,194</u>	<u>8,854</u>	<u>30,775</u>
Excess of revenues over expenditures	<u>193,460</u>	<u>58,773</u>	<u>--</u>	<u>345,524</u>	<u>597,757</u>
Other financing sources (uses):					
Transfers in	--	132,239	--	--	132,239
Transfers out	(193,460)	--	--	(399,597)	(593,057)
Total other financing sources (uses)	<u>(193,460)</u>	<u>132,239</u>	<u>--</u>	<u>(399,597)</u>	<u>(460,818)</u>
Net change in fund balances	--	191,012	--	(54,073)	136,939
Fund balances, beginning of year	<u>--</u>	<u>(191,012)</u>	<u>--</u>	<u>893,777</u>	<u>702,765</u>
Fund balances, end of year	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>839,704</u>	<u>839,704</u>

GENERAL FUND

The General Fund is used to account for all sources and uses of financial resources applicable to the general operations of the City of Arcadia. All general operating revenues which are not restricted as to use are recorded in the General Fund.

CITY OF ARCADIA, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES–BUDGET AND ACTUAL
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Taxes:			
Ad valorem taxes	\$ 1,686,127	1,737,323	51,196
Insurance premium tax	142,000	103,683	(38,317)
Public service taxes	420,000	437,344	17,344
Communications service taxes	360,000	282,102	(77,898)
Business license taxes	54,000	42,553	(11,447)
Total taxes	<u>2,662,127</u>	<u>2,603,005</u>	<u>(59,122)</u>
Licenses, permits, and fees:			
Franchise fees	475,000	428,920	(46,080)
Building permits	5,000	1,320	(3,680)
Other permits	500	182	(318)
Total licenses, permits and fees	<u>480,500</u>	<u>430,422</u>	<u>(50,078)</u>
Intergovernmental revenue:			
Grants	263,389	343,590	80,201
State shared revenues	490,500	425,792	(64,708)
Total intergovernmental revenue	<u>753,889</u>	<u>769,382</u>	<u>15,493</u>
Fines and forfeits	<u>39,100</u>	<u>17,340</u>	<u>(21,760)</u>
Charges for services:			
General government	3,100	6,925	3,825
Physical environment	741,438	701,838	(39,600)
Transportation	95,854	102,992	7,138
Recreation	482,850	384,320	(98,530)
Total charges for services	<u>1,323,242</u>	<u>1,196,075</u>	<u>(127,167)</u>
Interest	<u>12,000</u>	<u>3,186</u>	<u>(8,814)</u>
Miscellaneous:			
Rents	225,000	215,417	(9,583)
Miscellaneous	46,500	120,439	73,939
Total miscellaneous	<u>271,500</u>	<u>335,856</u>	<u>64,356</u>
Total revenues	<u>\$ 5,542,358</u>	<u>5,355,266</u>	<u>(187,092)</u>

CITY OF ARCADIA, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES–BUDGET AND ACTUAL
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
General government:			
Legislative	\$ 38,289	49,366	(11,077)
Executive	228,040	279,639	(51,599)
Financial and administrative	219,748	189,313	30,435
Legal counsel	46,650	80,532	(33,882)
Comprehensive planning	47,361	3,960	43,401
Other services	409,368	361,970	47,398
Elections	6,000	--	6,000
Retirement paid council	1,800	1,650	150
Total general government	<u>997,256</u>	<u>966,430</u>	<u>30,826</u>
Public safety:			
Law enforcement	1,635,941	1,601,485	34,456
Fire control	856,000	832,422	23,578
Law enforcement, equipment grants	150,637	150,773	(136)
Community policing grant	47,252	45,431	1,821
Rural law enforcement grant	--	71,772	(71,772)
Victims of crime grant	45,204	41,530	3,674
Anti-drug grant	61,490	59,809	1,681
School crossing guard	34,537	31,317	3,220
Total public safety	<u>2,831,061</u>	<u>2,834,539</u>	<u>(3,478)</u>
Physical environment:			
Garbage/solid waste disposal	690,821	527,782	163,039
Cemetery	71,205	57,995	13,210
Total physical environment	<u>762,026</u>	<u>585,777</u>	<u>176,249</u>
Transportation:			
Roads and streets	460,291	481,720	(21,429)
Airport	24,650	21,448	3,202
Traffic control	31,432	20,877	10,555
Total transportation	<u>516,373</u>	<u>524,045</u>	<u>(7,672)</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES–BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Parks and recreation:			
Recreation	136,371	121,323	15,048
Golf course	295,598	226,930	68,668
Pro shop	214,466	199,342	15,124
Parks	307,299	275,432	31,867
Mobile home park	138,701	126,174	12,527
Way Building	35,400	29,131	6,269
Total parks and recreation	<u>1,127,835</u>	<u>978,332</u>	<u>149,503</u>
Intergovernmental services:			
Garage	<u>228,544</u>	<u>191,579</u>	<u>36,965</u>
Total expenditures	<u>\$ 6,463,095</u>	<u>6,080,702</u>	<u>382,393</u>

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Legislative:			
Personal services:			
Salaries	\$ 20,400	21,204	(804)
Payroll taxes	2,479	2,524	(45)
Workers' compensation	285	273	12
Total personal services	<u>23,164</u>	<u>24,001</u>	<u>(837)</u>
Operating expenditures:			
Other contractual services	--	85	(85)
Travel	14,000	14,537	(537)
Communication services	--	5,042	(5,042)
Printing and binding	25	216	(191)
Other current charges	--	1,122	(1,122)
Office supplies	--	5	(5)
Operating supplies	50	3,368	(3,318)
Dues, books, and subscriptions	1,050	990	60
Total operating expenditures	<u>15,125</u>	<u>25,365</u>	<u>(10,240)</u>
Total Legislative expenditures	<u>\$ 38,289</u>	<u>49,366</u>	<u>(11,077)</u>
Retirement Paid Council:			
Personal services:			
Retirement contributions	\$ 1,800	1,650	150
Total operating expenditures	<u>1,800</u>	<u>1,650</u>	<u>150</u>
Total retirement paid council expenditures	<u>\$ 1,800</u>	<u>1,650</u>	<u>150</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Executive:			
Personal services:			
Salary, Administrator	\$ 70,407	33,984	36,423
Salaries	93,173	133,307	(40,134)
Special pay	--	1,985	(1,985)
Overtime	500	--	500
Payroll taxes	12,514	13,095	(581)
Retirement contributions	21,323	12,816	8,507
Life and health insurance	14,174	20,014	(5,840)
Workers' compensation	1,050	2,573	(1,523)
Unemployment compensation	--	9,751	(9,751)
Total personal services	<u>213,141</u>	<u>227,525</u>	<u>(14,384)</u>
Operating expenditures:			
Professional services	--	674	(674)
Other contractual services	350	16,602	(16,252)
Travel	3,300	1,252	2,048
Communication services	2,700	6,295	(3,595)
Utility service	--	1,648	(1,648)
Rentals	500	2,225	(1,725)
Insurance	794	1,081	(287)
Repair and maintenance	525	683	(158)
Printing and binding	1,000	1,080	(80)
Other current charges	--	7,643	(7,643)
Office supplies	850	1,088	(238)
Operating supplies	2,480	10,156	(7,676)
Dues, books, and subscriptions	1,900	1,687	213
Total operating expenditures	<u>14,399</u>	<u>52,114</u>	<u>(37,715)</u>
Capital outlay	<u>500</u>	<u>--</u>	<u>500</u>
Total executive expenditures	<u>\$ 228,040</u>	<u>279,639</u>	<u>(51,599)</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Financial and administrative:			
Personal services:			
Salaries	\$ 123,124	120,645	2,479
Special pay	--	3,400	(3,400)
Overtime	500	35	465
Payroll taxes	9,419	9,547	(128)
Retirement contributions	18,469	14,884	3,585
Life and health insurance	31,759	12,562	19,197
Workers' compensation	780	747	33
Total personal services	<u>184,051</u>	<u>161,820</u>	<u>22,231</u>
Operating expenditures:			
Professional services	--	375	(375)
Other contractual services	10,000	6,784	3,216
Travel	3,100	631	2,469
Communication services	4,600	4,534	66
Rentals	400	--	400
Insurance	397	505	(108)
Repair and maintenance	1,800	1,317	483
Printing and binding	2,900	2,872	28
Other current charges	400	2,207	(1,807)
Office supplies	1,000	1,290	(290)
Operating supplies	4,300	6,808	(2,508)
Dues, books, and subscriptions	1,800	170	1,630
Total operating expenditures	<u>30,697</u>	<u>27,493</u>	<u>3,204</u>
Capital outlay	<u>5,000</u>	<u>--</u>	<u>5,000</u>
Total financial and administrative expenditures	<u>\$ 219,748</u>	<u>189,313</u>	<u>30,435</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Legal counsel:			
Operating expenditures:			
Professional services	\$ 36,000	80,532	(44,532)
Other contractual services	10,000	--	10,000
Travel	350	--	350
Dues, books, and subscriptions	<u>300</u>	<u>--</u>	<u>300</u>
Total operating expenditures	<u>46,650</u>	<u>80,532</u>	<u>(33,882)</u>
Total legal counsel expenditures	<u>\$ 46,650</u>	<u>80,532</u>	<u>(33,882)</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Comprehensive planning:			
Personal services:			
Salaries	\$ 26,250	3,246	23,004
Payroll taxes	2,009	248	1,761
Retirement contributions	3,937	--	3,937
Workers' compensation	315	302	13
Total personal services	<u>32,511</u>	<u>3,796</u>	<u>28,715</u>
Operating expenditures:			
Professional services	1,000	--	1,000
Other contractual services	10,000	--	10,000
Travel	750	--	750
Communication services	300	45	255
Repairs and maintenance	500	--	500
Printing and binding	500	70	430
Other current charges	250	--	250
Office supplies	150	--	150
Operating supplies	300	49	251
Dues, books, and subscriptions	1,100	--	1,100
Total operating expenditures	<u>14,850</u>	<u>164</u>	<u>14,686</u>
Total comprehensive planning expenditures	<u>\$ 47,361</u>	<u>3,960</u>	<u>43,401</u>
Elections:			
Operating expenditures:			
Operating supplies	\$ 6,000	--	6,000
Total operating expenditures	<u>6,000</u>	<u>--</u>	<u>6,000</u>
Total elections expenditures	<u>\$ 6,000</u>	<u>--</u>	<u>6,000</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Other general governmental services:			
Personal services:			
Retirement contributions	\$ 45,000	79,598	(34,598)
Total personal services	<u>45,000</u>	<u>79,598</u>	<u>(34,598)</u>
Operating expenditures:			
Professional services	32,500	15,724	16,776
Other contractual services	40,000	69,242	(29,242)
Communication services	3,550	3,584	(34)
Utility services	11,386	14,930	(3,544)
Rentals	5,000	1,459	3,541
Insurance	133,668	130,750	2,918
Repair and maintenance	2,500	1,615	885
Printing and binding	500	280	220
Other current charges	24,000	25,958	(1,958)
Office supplies	500	112	388
Operating supplies	1,764	1,101	663
Dues, books, and subscriptions	1,000	125	875
Contingency	100,000	--	100,000
Total operating expenditures	<u>356,368</u>	<u>264,880</u>	<u>91,488</u>
Capital outlay	<u>8,000</u>	<u>17,492</u>	<u>(9,492)</u>
Total other general governmental services expenditures	<u>\$ 409,368</u>	<u>361,970</u>	<u>47,398</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Law enforcement:			
Personal services:			
Salary, City Marshal	\$ 80,374	79,627	747
Salaries	795,557	804,528	(8,971)
Overtime	15,000	12,607	2,393
Special pay	--	8,404	(8,404)
Payroll taxes	65,479	67,581	(2,102)
Retirement contributions, City	133,048	161,298	(28,250)
Retirement contributions, State	88,870	63,764	25,106
Life and health insurance	158,884	127,171	31,713
Workers' compensation	47,625	45,615	2,010
Unemployment compensation	--	7,598	(7,598)
Total personal services	<u>1,384,837</u>	<u>1,378,193</u>	<u>6,644</u>
Operating expenditures:			
Professional services	3,000	5,369	(2,369)
Other contractual services	35,000	25,805	9,195
Travel	1,750	507	1,243
Communication services	21,500	20,982	518
Utility services	8,500	7,295	1,205
Rentals	11,000	7,932	3,068
Insurance	14,554	18,209	(3,655)
Repair and maintenance	21,000	23,235	(2,235)
Printing and binding	1,000	721	279
Other current charges	9,000	9,351	(351)
Operating supplies	115,900	99,160	16,740
Dues, books, and subscriptions	5,500	4,726	774
Police auxiliary allowance	2,400	--	2,400
Total operating expenditures	<u>250,104</u>	<u>223,292</u>	<u>26,812</u>
Capital outlay	<u>1,000</u>	<u>--</u>	<u>1,000</u>
Total law enforcement expenditures	<u>\$ 1,635,941</u>	<u>1,601,485</u>	<u>34,456</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Fire control:			
Personal services:			
Retirement contributions, State	\$ 54,000	39,919	14,081
Total personal services	<u>54,000</u>	<u>39,919</u>	<u>14,081</u>
Operating expenditures:			
Other contractual services	752,000	742,497	9,503
Communication services	--	6	(6)
Claims	50,000	50,000	--
Total operating expenditures	<u>802,000</u>	<u>792,503</u>	<u>9,497</u>
Total fire control expenditures	<u>\$ 856,000</u>	<u>832,422</u>	<u>23,578</u>
Community policing grant:			
Personal services:			
Salaries	\$ 31,450	33,270	(1,820)
Payroll taxes	2,288	2,530	(242)
Retirement contributions	3,705	5,762	(2,057)
Life and health insurance	9,091	3,869	5,222
Workers' compensation	718	--	718
Total personal services	<u>47,252</u>	<u>45,431</u>	<u>1,821</u>
Total community policing grant expenditures	<u>\$ 47,252</u>	<u>45,431</u>	<u>1,821</u>
Law enforcement, equipment grant:			
Operating expenditures:			
Other current charges	\$ --	919	(919)
Operating supplies	27,504	20,862	6,642
Total operating expenditures	<u>27,504</u>	<u>21,781</u>	<u>5,723</u>
Capital outlay:	<u>123,133</u>	<u>128,992</u>	<u>(5,859)</u>
Total law enforcement, equipment grant expenditures	<u>\$ 150,637</u>	<u>150,773</u>	<u>(136)</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Rural law enforcement grant:			
Personal services:			
Salaries	\$ --	22,679	(22,679)
Overtime	--	66	(66)
Payroll taxes	--	1,722	(1,722)
Retirement contributions	--	5,489	(5,489)
Life and health insurance	--	4,821	(4,821)
Total personal services	<u>--</u>	<u>34,777</u>	<u>(34,777)</u>
Operating expenditures:			
Travel	--	1,805	(1,805)
Operating supplies	--	6,029	(6,029)
Total operating expenditures	<u>--</u>	<u>7,834</u>	<u>(7,834)</u>
Capital outlay	<u>--</u>	<u>29,161</u>	<u>(29,161)</u>
Total rural law enforcement grant expenditures	<u><u>--</u></u>	<u><u>71,772</u></u>	<u><u>(71,772)</u></u>
Victims of crime grant:			
Personal services:			
Salaries	\$ 31,136	30,963	173
Payroll taxes	2,381	2,392	(11)
Life and health insurance	7,087	6,451	636
Workers' compensation	1,800	1,724	76
Total personal services	<u>42,404</u>	<u>41,530</u>	<u>874</u>
Operating expenditures:			
Office supplies	2,000	--	2,000
Dues, books, and subscriptions	800	--	800
Total operating expenditures	<u>2,800</u>	<u>--</u>	<u>2,800</u>
Total victims of crime grant expenditures	<u><u>\$ 45,204</u></u>	<u><u>41,530</u></u>	<u><u>3,674</u></u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Anti-drug grant:			
Personal services:			
Salaries	\$ 34,739	38,063	(3,324)
Overtime	--	1,703	(1,703)
Payroll taxes	2,658	3,029	(371)
Retirement contributions	5,419	6,253	(834)
Life and health insurance	14,174	6,451	7,723
Workers' compensation	4,500	4,310	190
Total personal services	<u>61,490</u>	<u>59,809</u>	<u>1,681</u>
Total anti-drug grant expenditures	<u>\$ 61,490</u>	<u>59,809</u>	<u>1,681</u>
School crossing guard:			
Personal services:			
Salaries	\$ 28,738	25,676	3,062
Payroll taxes	2,199	2,002	197
Workers' compensation	2,850	2,730	120
Unemployment compensation	0	435	(435)
Total personal services	<u>33,787</u>	<u>30,843</u>	<u>2,944</u>
Operating expenditures:			
Office supplies	250	--	250
Operating supplies	500	474	26
Total operating expenditures	<u>750</u>	<u>474</u>	<u>276</u>
Total school crossing guard expenditures	<u>\$ 34,537</u>	<u>31,317</u>	<u>3,220</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Garbage/solid waste disposal:			
Personal services:			
Salaries	\$ 127,335	120,471	6,864
Overtime	7,000	2,125	4,875
Special pay	--	2,740	(2,740)
Payroll taxes	9,627	9,557	70
Retirement contributions	7,491	9,346	(1,855)
Life and health insurance	21,260	23,289	(2,029)
Workers' compensation	16,500	15,804	696
Unemployment compensation	--	348	(348)
Total personal services	<u>189,213</u>	<u>183,680</u>	<u>5,533</u>
Operating expenditures:			
Professional services	500	255	245
Other contractual services	500	774	(274)
Communication services	1,000	2,461	(1,461)
Rentals	250	--	250
Insurance	14,333	13,592	741
Repair and maintenance	24,450	23,262	1,188
Printing and binding	100	9	91
Other current charges	320,000	262,824	57,176
Office supplies	50	309	(259)
Operating supplies	65,425	40,616	24,809
Contingency	75,000	--	75,000
Total operating expenditures	<u>501,608</u>	<u>344,102</u>	<u>157,506</u>
Total garbage/solid waste disposal expenditures	<u>\$ 690,821</u>	<u>527,782</u>	<u>163,039</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Cemetery:			
Personal services:			
Salaries	\$ 35,770	29,538	6,232
Overtime	--	5	(5)
Special pay	--	2,527	(2,527)
Payroll taxes	2,354	2,455	(101)
Retirement contributions	4,616	4,535	81
Life and health insurance	7,087	6,478	609
Workers' compensation	2,100	2,011	89
Total personal services	<u>51,927</u>	<u>47,549</u>	<u>4,378</u>
Operating expenditures:			
Professional services	--	125	(125)
Other contractual services	700	80	620
Communication services	580	1,030	(450)
Utility services	435	510	(75)
Rentals	75	--	75
Insurance	838	795	43
Repair and maintenance	2,200	2,143	57
Office supplies	--	84	(84)
Operating supplies	7,150	5,679	1,471
Road materials and supplies	300	--	300
Total operating expenditures	<u>12,278</u>	<u>10,446</u>	<u>1,832</u>
Capital outlay	<u>7,000</u>	<u>--</u>	<u>7,000</u>
Total cemetery expenditures	<u>\$ 71,205</u>	<u>57,995</u>	<u>13,210</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Roads and streets:			
Personal services:			
Salaries	\$ 79,380	81,005	(1,625)
Overtime	4,500	4,643	(143)
Special pay	--	2,640	(2,640)
Payroll taxes	6,073	6,298	(225)
Retirement contributions	3,522	3,266	256
Life and health insurance	56,871	27,139	29,732
Workers' compensation	12,750	12,212	538
Unemployment compensation	--	43	(43)
Total personal services	<u>163,096</u>	<u>137,246</u>	<u>25,850</u>
Operating expenditures:			
Professional services	300	14,242	(13,942)
Other contractual services	36,000	42,953	(6,953)
Travel	50	--	50
Communication services	3,500	3,210	290
Utility services	98,000	93,083	4,917
Rentals	500	--	500
Insurance	14,775	14,010	765
Repair and maintenance	23,600	41,611	(18,011)
Printing and binding	100	506	(406)
Other current charges	5,000	943	4,057
Office supplies	50	17	33
Operating supplies	50,270	39,311	10,959
Road materials and supplies	15,000	27,049	(12,049)
Dues, books, and subscriptions	50	255	(205)
Total operating expenditures	<u>247,195</u>	<u>277,190</u>	<u>(29,995)</u>
Capital outlay	<u>50,000</u>	<u>67,284</u>	<u>(17,284)</u>
Total roads and streets expenditures	<u>\$ 460,291</u>	<u>481,720</u>	<u>(21,429)</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Airport:			
Operating expenditures:			
Other contractual services	\$ 1,500	10,836	(9,336)
Utility services	4,000	4,394	(394)
Insurance	1,500	3,485	(1,985)
Repair and maintenance	4,950	2,421	2,529
Other current charges	100	72	28
Operating supplies	2,400	240	2,160
Road materials and supplies	200	--	200
	<u>14,650</u>	<u>21,448</u>	<u>(6,798)</u>
Total operating expenditures			
Capital outlay	<u>10,000</u>	<u>--</u>	<u>10,000</u>
Total airport expenditures	<u>\$ 24,650</u>	<u>21,448</u>	<u>3,202</u>
Traffic control:			
Operating expenditures:			
Other contractual services	\$ 20,000	17,750	2,250
Utility services	10,000	414	9,586
Insurance	882	836	46
Repair and maintenance	50	1,308	(1,258)
Printing	--	240	(240)
Operating supplies	500	329	171
	<u>31,432</u>	<u>20,877</u>	<u>10,555</u>
Total operating expenditures			
Total traffic control expenditures	<u>\$ 31,432</u>	<u>20,877</u>	<u>10,555</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Parks and recreation:			
Recreation:			
Personal services:			
Salaries	\$ 69,468	43,355	26,113
Overtime	500	6,821	(6,321)
Special pay	--	1,185	(1,185)
Payroll taxes	5,314	3,883	1,431
Retirement contributions	3,451	1,088	2,363
Life and health insurance	14,828	8,204	6,624
Workers' compensation	1,950	1,868	82
Total personal services	<u>95,511</u>	<u>66,404</u>	<u>29,107</u>
Operating expenditures:			
Professional services	--	65	(65)
Other contractual services	1,800	4,241	(2,441)
Travel per diem	500	--	500
Communication services	2,950	3,694	(744)
Utility services	15,000	19,201	(4,201)
Rentals	150	--	150
Insurance	1,985	1,882	103
Repair and maintenance	5,550	1,675	3,875
Printing and binding	100	71	29
Other current charges	600	444	156
Office supplies	75	89	(14)
Operating supplies	11,700	4,383	7,317
Dues, books, and subscriptions	450	88	362
Total operating expenditures	<u>40,860</u>	<u>35,833</u>	<u>5,027</u>
Capital outlay	<u>--</u>	<u>19,086</u>	<u>(19,086)</u>
Total recreation expenditures	<u>\$ 136,371</u>	<u>121,323</u>	<u>15,048</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Parks and recreation:			
Golf course:			
Personal services:			
Salaries	\$ 104,288	64,950	39,338
Special pay	--	1,770	(1,770)
Payroll taxes	7,710	5,009	2,701
Retirement contributions	8,746	6,497	2,249
Life and health insurance	21,437	18,121	3,316
Workers' compensation	1,275	1,221	54
Unemployment compensation	--	47	(47)
Total personal services	<u>143,456</u>	<u>97,615</u>	<u>45,841</u>
Operating expenditures:			
Professional services	--	250	(250)
Other contractual services	10,000	10,455	(455)
Travel	100	--	100
Communication services	2,500	4,154	(1,654)
Utility services	3,578	10,334	(6,756)
Rentals	33,275	20,606	12,669
Insurance	1,985	2,039	(54)
Repair and maintenance	21,000	11,526	9,474
Printing and binding	350	--	350
Other current charges	8,850	9,848	(998)
Office supplies	50	17	33
Operating supplies	63,954	50,860	13,094
Dues, books and subscriptions	1,000	426	574
Total operating expenditures	<u>146,642</u>	<u>120,515</u>	<u>26,127</u>
Capital outlay	<u>5,500</u>	<u>8,800</u>	<u>(3,300)</u>
Total golf course expenditures	<u>\$ 295,598</u>	<u>226,930</u>	<u>68,668</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Parks and recreation:			
Pro shop:			
Personal services:			
Salaries	\$ 90,584	85,031	5,553
Overtime	--	11	(11)
Special pay	--	385	(385)
Payroll taxes	6,929	6,541	388
Retirement contributions	3,178	--	3,178
Life and health insurance	--	6,424	(6,424)
Workers' compensation	1,275	1,221	54
Total personal services	<u>101,966</u>	<u>99,613</u>	<u>2,353</u>
Operating expenditures:			
Professional service	--	375	(375)
Other contractual services	4,000	7,543	(3,543)
Communication services	1,500	1,687	(187)
Utility services	20,000	7,329	12,671
Rentals	60,000	45,473	14,527
Repair and maintenance	750	806	(56)
Printing and binding	--	585	(585)
Other current charges	5,000	8,936	(3,936)
Office supplies	--	215	(215)
Operating supplies	21,000	23,792	(2,792)
Dues, books, and subscriptions	250	2,988	(2,738)
Total operating expenditures	<u>112,500</u>	<u>99,729</u>	<u>12,771</u>
Total pro shop expenditures	<u>\$ 214,466</u>	<u>199,342</u>	<u>15,124</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Parks and recreation:			
Parks:			
Personal services:			
Salaries	\$ 171,830	153,331	18,499
Overtime	1,500	13	1,487
Special pay	--	10,537	(10,537)
Payroll taxes	13,146	12,476	670
Retirement contributions	15,629	12,954	2,675
Life and health insurance	40,376	28,407	11,969
Workers' compensation	10,950	10,488	462
Unemployment compensation	--	387	(387)
Total personal services	<u>253,431</u>	<u>228,593</u>	<u>24,838</u>
Operating expenditures:			
Professional services	--	125	(125)
Other contractual services	1,000	3,258	(2,258)
Travel	150	--	150
Communication services	600	1,003	(403)
Utility services	11,000	7,547	3,453
Rentals	150	630	(480)
Insurance	3,418	3,241	177
Repair and maintenance	8,500	7,213	1,287
Other current charges	100	634	(534)
Office supplies	50	68	(18)
Operating supplies	22,150	23,005	(855)
Dues, books, and subscriptions	50	115	(65)
Total operating expenditures	<u>47,168</u>	<u>46,839</u>	<u>329</u>
Capital outlay	<u>6,700</u>	<u>--</u>	<u>6,700</u>
Total parks expenditures	<u>\$ 307,299</u>	<u>275,432</u>	<u>31,867</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Parks and recreation:			
Mobile home park:			
Personal services:			
Salaries	\$ 25,595	23,368	2,227
Special pay	--	1,585	(1,585)
Payroll taxes	1,805	1,866	(61)
Retirement contributions	3,539	3,540	(1)
Life and health insurance	7,087	6,716	371
Workers' compensation	1,095	1,049	46
Total personal services	<u>39,121</u>	<u>38,124</u>	<u>997</u>
Operating expenditures:			
Other contractual services	2,000	1,316	684
Travel per diem	540	540	--
Communication services	650	464	186
Utility services	52,000	58,754	(6,754)
Rentals	19,175	12,476	6,699
Insurance	265	251	14
Repair and maintenance	3,175	288	2,887
Printing and binding	275	177	98
Other current charges	14,000	12,863	1,137
Operating supplies	3,500	921	2,579
Total operating expenditures	<u>95,580</u>	<u>88,050</u>	<u>7,530</u>
Capital outlay	<u>4,000</u>	<u>--</u>	<u>4,000</u>
Total mobile home park expenditures	<u>\$ 138,701</u>	<u>126,174</u>	<u>12,527</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Parks and recreation:			
Way building:			
Operating expenditures:			
Other contractual services	14,000	12,212	1,788
Communication services	1,000	542	458
Utility services	12,000	11,641	359
Rentals	500	--	500
Repair and maintenance	2,500	2,113	387
Other current charges	100	--	100
Operating supplies	2,300	2,623	(323)
	<u>32,400</u>	<u>29,131</u>	<u>3,269</u>
Total operating expenditures			
Capital outlay	3,000	--	3,000
	<u>3,000</u>	<u>--</u>	<u>3,000</u>
Total Way building expenditures	<u>\$ 35,400</u>	<u>29,131</u>	<u>6,269</u>

(Continued)

CITY OF ARCADIA, FLORIDA
GENERAL FUND
DEPARTMENTAL SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Garage:			
Personal services:			
Salaries	\$ 132,790	112,205	20,585
Overtime	1,000	247	753
Special pay	--	4,210	(4,210)
Payroll taxes	10,159	8,798	1,361
Retirement contributions	1,696	2,939	(1,243)
Life and health insurance	35,433	26,216	9,217
Workers' compensation	5,400	5,212	188
Total personal services	<u>186,478</u>	<u>159,827</u>	<u>26,651</u>
Operating expenditures:			
Professional services	--	125	(125)
Other contractual services	2,300	4,118	(1,818)
Travel per diem	150	--	150
Communication services	1,900	2,219	(319)
Utility services	6,000	5,967	33
Rentals	1,300	74	1,226
Insurance	4,366	4,140	226
Repair and maintenance	6,100	4,701	1,399
Other current charges	100	283	(183)
Office supplies	100	52	48
Operating supplies	11,250	9,673	1,577
Dues, books, and subscriptions	500	400	100
Total operating expenditures	<u>34,066</u>	<u>31,752</u>	<u>2,314</u>
Capital outlay	<u>8,000</u>	<u>--</u>	<u>8,000</u>
Total garage expenditures	<u>\$ 228,544</u>	<u>191,579</u>	<u>36,965</u>

ENTERPRISE FUND

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF ARCADIA, FLORIDA
ENTERPRISE FUND—BY FUNCTION
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended September 30, 2010

	Water Systems	Wastewater Systems	Utility Collections and Administration	Total
Operating revenues:				
Charges for services	\$ 1,411,339	1,231,291	--	2,642,630
Tap fees	10,921	2,333	--	13,254
Miscellaneous	12,670	22,055	2,834	37,559
Total operating revenues	<u>1,434,930</u>	<u>1,255,679</u>	<u>2,834</u>	<u>2,693,443</u>
Operating expenses:				
Personal services	464,301	429,150	124,813	1,018,264
Operating expenses	356,011	650,061	62,889	1,068,961
Depreciation	132,789	883,676	175	1,016,640
Total operating expenses	<u>953,101</u>	<u>1,962,887</u>	<u>187,877</u>	<u>3,103,865</u>
Operating income (loss)	<u>\$ 481,829</u>	<u>(707,208)</u>	<u>(185,043)</u>	<u>(410,422)</u>
Nonoperating revenues (expenses):				
Interest earnings				24,013
Interest and fiscal charges				<u>(239,774)</u>
Total nonoperating revenues (expenses)				<u>(215,761)</u>
Loss before transfers				(626,183)
Transfers in				317,718
Transfers out				<u>(287,604)</u>
Change in net assets				(596,069)
Net assets, beginning of year				<u>9,937,850</u>
Net assets, end of year				<u>\$ 9,341,781</u>

CITY OF ARCADIA, FLORIDA
 ENTERPRISE FUND—WATER TREATMENT PLANT DEPARTMENT
 SCHEDULE OF OPERATING EXPENSES (EXCLUDING DEPRECIATION)
 BUDGET AND ACTUAL
 Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Water treatment plant:			
Personal services:			
Salaries	\$ 186,321	165,651	20,670
Overtime	20,000	28,934	(8,934)
Special pay	--	1,870	(1,870)
Payroll taxes	14,254	16,066	(1,812)
Retirement contributions	12,441	14,222	(1,781)
Life and health insurance	24,672	20,372	4,300
Workers' compensation	11,100	10,631	469
Other post-employment benefits		6,741	(6,741)
Total personal services	<u>268,788</u>	<u>264,487</u>	<u>4,301</u>
Operating expenses:			
Professional services	15,000	47,395	(32,395)
Contractual services	38,550	72,592	(34,042)
Travel	500	--	500
Communication services	13,988	15,491	(1,503)
Utility services	68,456	58,223	10,233
Rentals	800	--	800
Insurance	1,676	1,589	87
Repair and maintenance	10,291	10,441	(150)
Printing and binding	50	--	50
Other current charges	1,500	3,390	(1,890)
Office supplies	--	145	(145)
Operating supplies	85,334	86,624	(1,290)
Dues, books, and subscriptions	1,225	2,674	(1,449)
Contingency	3,000	--	3,000
Total operating expenses	<u>240,370</u>	<u>298,564</u>	<u>(58,194)</u>
Capital outlay	<u>45,000</u>	<u>--</u>	<u>45,000</u>
Total water treatment plant expenses	<u>\$ 554,158</u>	<u>563,051</u>	<u>(8,893)</u>

(Continued)

CITY OF ARCADIA, FLORIDA
ENTERPRISE FUND—WASTEWATER TREATMENT PLANT DEPARTMENT
SCHEDULE OF OPERATING EXPENSES (EXCLUDING DEPRECIATION)
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Wastewater treatment plant:			
Personal services:			
Salaries	\$ 139,869	175,315	(35,446)
Overtime	30,000	26,029	3,971
Special pay	--	9,438	(9,438)
Payroll taxes	10,700	17,502	(6,802)
Retirement contributions	20,980	30,304	(9,324)
Life and health insurance	49,522	45,373	4,149
Workers' compensation	8,700	8,333	367
Unemployment compensation	--	29	(29)
Other post-employment benefits	--	20,223	(20,223)
Total personal services	<u>259,771</u>	<u>332,546</u>	<u>(72,775)</u>
Operating expenses:			
Professional services	12,000	2,535	9,465
Contractual services	160,000	96,075	63,925
Travel	400	11	389
Communication services	14,500	14,846	(346)
Utility services	157,359	133,425	23,934
Rentals	600	255	345
Insurance	9,923	9,410	513
Repair and maintenance	22,886	18,352	4,534
Printing and binding	--	473	(473)
Other current charges	50,000	56,194	(6,194)
Office supplies	200	--	200
Operating supplies	179,850	245,854	(66,004)
Dues, books, and subscriptions	850	--	850
Contingency	1,000	--	1,000
Total operating expenses	<u>609,568</u>	<u>577,430</u>	<u>32,138</u>
Total wastewater treatment plant expenses	<u>\$ 869,339</u>	<u>909,976</u>	<u>(40,637)</u>

(Continued)

CITY OF ARCADIA, FLORIDA
ENTERPRISE FUND—WATER SYSTEMS DEPARTMENT
SCHEDULE OF OPERATING EXPENSES (EXCLUDING DEPRECIATION)
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Water systems:			
Personal services:			
Salaries	\$ 103,663	106,051	(2,388)
Overtime	10,000	7,655	2,345
Special pay	--	4,318	(4,318)
Payroll taxes	7,930	9,553	(1,623)
Retirement contributions	12,480	14,321	(1,841)
Life and health insurance	44,096	31,112	12,984
Workers' compensation	12,150	11,637	513
Other post-employment benefits	--	15,167	(15,167)
Total personal services	<u>190,319</u>	<u>199,814</u>	<u>(9,495)</u>
Operating expenses:			
Contractual services	850	2,075	(1,225)
Travel	200	79	121
Communication services	2,150	2,206	(56)
Utility services	3,000	4,710	(1,710)
Rentals	250	881	(631)
Insurance	5,359	5,081	278
Repair and maintenance	4,950	3,874	1,076
Printing and binding	75	--	75
Other current charges	1,000	5,607	(4,607)
Office supplies	100	--	100
Operating supplies	55,900	32,934	22,966
Dues, books, and subscriptions	175	--	175
Contingency	8,000	--	8,000
Total operating expenses	<u>82,009</u>	<u>57,447</u>	<u>24,562</u>
Capital outlay	<u>4,000</u>	<u>--</u>	<u>4,000</u>
Total water systems expenses	<u>\$ 276,328</u>	<u>257,261</u>	<u>19,067</u>

(Continued)

CITY OF ARCADIA, FLORIDA
ENTERPRISE FUND—WASTEWATER SYSTEMS DEPARTMENT
SCHEDULE OF OPERATING EXPENSES (EXCLUDING DEPRECIATION)
BUDGET AND ACTUAL (CONTINUED)
Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Wastewater systems:			
Personal services:			
Salaries	\$ 59,172	60,330	(1,158)
Overtime	10,000	4,821	5,179
Special pay	--	385	(385)
Payroll taxes	4,527	5,341	(814)
Retirement contributions	2,884	3,713	(829)
Life and health insurance	26,509	16,059	10,450
Workers' compensation	4,500	4,270	230
Other post-employment benefits	--	1,685	(1,685)
Total personal services	<u>107,592</u>	<u>96,604</u>	<u>10,988</u>
Operating expenses:			
Contractual services	850	3,706	(2,856)
Travel	100	11	89
Communication services	2,050	2,220	(170)
Utility services	8,500	20,566	(12,066)
Rentals	500	881	(381)
Insurance	7,300	6,922	378
Repair and maintenance	5,050	4,362	688
Printing and binding	100	--	100
Other current charges	15,000	3,945	11,055
Office supplies	100	--	100
Operating supplies	30,700	30,018	682
Dues, books, and subscriptions	200	--	200
Contingency	8,000	--	8,000
Total operating expenses	<u>78,450</u>	<u>72,631</u>	<u>5,819</u>
Capital outlay	<u>28,750</u>	<u>--</u>	<u>28,750</u>
Total wastewater systems expenses	<u>\$ 214,792</u>	<u>169,235</u>	<u>45,557</u>

(Continued)

CITY OF ARCADIA, FLORIDA
 ENTERPRISE FUND—UTILITY COLLECTIONS AND ADMINISTRATION DEPARTMENTS
 SCHEDULE OF OPERATING EXPENSES (EXCLUDING DEPRECIATION)
 BUDGET AND ACTUAL (CONTINUED)
 Year Ended September 30, 2010

	Final Budget	Actual	Variance with Final Budget
Utility collections and administration:			
Personal services:			
Salaries	\$ 121,645	70,580	51,065
Overtime	500	3,463	(2,963)
Special pay	--	1,270	(1,270)
Payroll taxes	9,306	6,631	2,675
Retirement contributions	13,849	11,627	2,222
Life and health insurance	27,585	17,924	9,661
Workers' compensation	1,050	1,006	44
Unemployment compensation	--	2,200	(2,200)
Other post-employment benefits	--	10,112	(10,112)
Total personal services	<u>173,935</u>	<u>124,813</u>	<u>49,122</u>
Operating expenses:			
Professional services	38,000	23,763	14,237
Contractual services	3,650	5,540	(1,890)
Travel	800	--	800
Communication services	13,150	14,688	(1,538)
Rentals	350	110	240
Repair and maintenance	1,550	923	627
Printing and binding	1,600	982	618
Other current charges	3,800	8,846	(5,046)
Office supplies	1,000	1,569	(569)
Operating supplies	6,625	6,468	157
Dues, books, and subscriptions	1,550	--	1,550
Contingency	6,000	--	6,000
Total operating expenses	<u>78,075</u>	<u>62,889</u>	<u>15,186</u>
Capital outlay	<u>3,100</u>	<u>--</u>	<u>3,100</u>
Total utility collections and administration expenses	<u>\$ 255,110</u>	<u>187,702</u>	<u>67,408</u>

OTHER INDEPENDENT AUDITOR REPORTS



**INDEPENDENT AUDITOR'S 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***

The Honorable Mayor, City Council
and City Administrator
City of Arcadia, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arcadia, Florida (“the City”), as of and for the year ended September 30, 2010, which collectively comprise the City’s basic financial statements and have issued our report thereon dated September 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Management Letter as Findings 10-3, 10-4, 10-5, 10-6, and 10-7 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is reported as Finding 10-2 under the heading *Current Year Findings and Recommendations* in the Independent Auditor's Management Letter.

We noted certain additional matters that were reported to management of the City, in a Management Letter dated September 20, 2011. We did not audit the City's response to the Management Letter, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, City Council, City Administrator, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 20, 2011

CITY OF ARCADIA, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2010

Audit Finding Number	Title/Program	Brief Description	Status	Comments
05-2	Financial Condition Assessment	For several years, our assessment of the City's financial condition has disclosed a gradual deterioration in the City's financial position. We have strongly recommended that the City evaluate the reasons for these negative financial results and take action to develop future plans and budgets that will produce positive financial results, avoid continuing deficits, and rebuild equity.	Not corrected	See Finding 10-1 in the Current Year Findings and Recommendations.
08-1	Rate Covenant	In accordance with the Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003, the City has certain covenants they must comply with such as collecting sufficient revenues to satisfy 125% of the bond service requirement and 100% of all other amounts payable from pledged revenues. Our prior audit disclosed that the City did not meet this covenant.	Not Corrected	See Finding 10-2 in the Current Year Findings and Recommendations.
09-3	Debt Administration	Our prior audit disclosed that an arbitrage rebate calculation had never been performed on the 2003 Water and Sewer Refunding and Improvement Revenue Bonds. We recommended the City implement procedures to have an arbitrage rebate calculation performed to determine if amounts were required to be remitted to the Federal government.	Corrected	It was determined during the year that the City met the spend down provisions of the arbitrage regulations and was not required to have an arbitrage rebate calculation performed.
09-4	Mobile Home Park Revenues	Our prior audit disclosed that cash collection procedures at the mobile home park needed improvement. One person collects the rental fees, and there are no procedures in place to reconcile the occupancy of the park with the amount of cash collected.	Not Corrected	See Finding 10-3 in the Current Year Findings and Recommendations.

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor, City Council
and City Administrator
City of Arcadia, Florida

We have audited the financial statements of the City of Arcadia, Florida ("the City"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated September 20, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's 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*. Disclosures in those reports, which are dated September 20, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The status of prior year findings are reported in the *Summary Schedule of Prior Audit Findings*.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Matters required to be disclosed are reported under the heading *Current Year Findings and Recommendations*.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. Matters required to be disclosed are reported under the heading *Current Year Findings and Recommendations*.

Honorable Mayor, City Council
and City Manager
City of Arcadia, Florida

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. Matters have been disclosed under the heading *Current Year Findings and Recommendations*.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City, did not meet any of the conditions described in the statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Matters have been disclosed about the City's deteriorating financial condition under the heading *Current Year Findings and Recommendations*.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the City Council, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 20, 2011

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

10-1 Financial Condition Assessment

For several years, our assessment of the City's financial condition has disclosed a gradual deterioration in the City's financial position. The City has suffered a deficiency of revenues under expenditures in the General Fund for eight of the past ten years and the Enterprise Fund has shown operating losses in each of the past ten years. As a result, the City's financial condition has steadily been declining. This has been of particular concern in the General Fund where transfers are made annually from the Enterprise Fund to cover these deficiencies, and fund balance in the General Fund is at an amount equivalent to less than three months of expenditures. For the fiscal year ending September 30, 2010, the General Fund reported a deficiency of revenues under expenditures of \$725,436, but an overall increase in fund balance of \$62,886 due to transfers in from other funds of which \$200,000 was from the Enterprise Fund. The Enterprise Fund reported an operating loss of \$410,422, a net loss before transfers of \$626,183, and an overall reduction in net assets of \$596,069. These continuing losses and transfers to subsidize the General Fund have depleted unrestricted net assets in the Enterprise Fund to a deficit of \$669,613 as of September 30, 2010. The situation is critical and appropriate action needs to be taken as soon as possible to remedy the current situation and prevent further depletion of operating reserves.

We again strongly recommend that the City evaluate the reasons for these negative financial results and take action to develop future plans and budgets that will produce positive financial results, avoid continuing deficits, and rebuild equity.

10-2 Rate Covenant

In accordance with the Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003, the City covenants to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals and other charges for the use of the products, services and facilities of the water and sewer system which shall provide revenues sufficient to pay: (i) 100% of all cost of operation and maintenance as the same shall become due in such year, (ii) 125% of the bond service requirement due in such year on the outstanding bonds, and (iii) 100% of all other deposits to be made pursuant to the resolution and all other amounts payable from pledged revenues. As noted in previous years, our audit disclosed for fiscal year ending September 30, 2010, the City did not collect sufficient revenues to satisfy 125% of the bond service requirement or 100% of all other amounts payable from pledged revenues. As noted in the Finding 10-1 above, the City has been continually experiencing operating deficits in the Water and Sewer Enterprise Fund.

Although the City Council has taken measures to increase water and wastewater utility rates during fiscal year 2009-2010, the City can not continue funding the deficits in the General Fund with Water and Sewer funds. We recommend the following:

- **The City should closely monitor, review, and if necessary, adjust current year budgeted expenses to ensure compliance with the provisions of this debt agreement.**
- **Continually monitor the performance of the fund after the approved rate adjustments**

and budget cuts are made to ensure that current charges are sufficient to meet current operating needs, fund future capital requirements, satisfy debt covenants, and restore equity in the fund.

- **Discontinue the practice of transferring funds to the General Fund.**

10-3 Mobile Home Park Revenues

As noted in the prior year, our review of cash collection procedures for the mobile home park disclosed there was limited assurance and accountability that all cash collected is deposited and reported. The mobile home park has permanent mobile home rentals, as well as temporary recreational vehicle parking rentals. There is only one person that collects the rental fees, and there are no procedures in place to reconcile the occupancy of the park with the amount of cash collected.

Therefore, we recommend that monthly cash collections be reconciled to a monthly log of spaces occupied at the mobile home park that is prepared and signed by a second individual. This reconciliation should be reviewed by Finance to verify the accuracy and completeness of the reconciliation and the amounts deposited.

10-4 Capital Assets

Our audit disclosed that policies and procedures over capital assets need improvement. The City currently has no procedures in place for the removal of capital assets from the capital asset inventory. In addition, the City has not been performing periodic physical inventories of the capital assets and reconciling them to the amounts recorded on the books. A physical count of property should be periodically taken and compared to the items carried on the detailed capital asset listing, and all significant variances investigated. Such physical counts will help detect the loss or unauthorized use of valuable City property.

We recommend the City establish policies and procedures for the removal of capital assets from the capital asset listing to aid in identifying surplus capital assets requiring disposal, providing for the proper approval and authorization for disposing of such items, and providing a documented source for removing them from the books and records of the City.

We also recommend that the City establish a policy to perform an annual inventory of the capital assets to provide a proper accounting of capital assets and to establish safeguards over them from unauthorized use or disposal.

10-5 Budget

The City prepares an annual budget at the beginning of the year; however, no budget amendments are made for changes in the level of activity during the year. During our audit, we noted that budgeted revenue for the General Fund was approximately \$187,000 less than estimated revenues and budgeted revenue for the Water and Sewer Fund was approximately \$350,000 less than estimated revenues, while several departments in both funds overspent their appropriated budget. The fundamental purpose of budgetary control is to plan beforehand and then maintain operations

according to the plan. If properly monitored, budgets provide early identification of financial shortfalls and help ensure timely decisions are made. We believe the City could more accurately evaluate financial performance by more closely monitoring and revising the budget for changes in activity.

We recommend the City perform periodic evaluations and amendments to the budget throughout the year to more accurately evaluate the financial performance of the City.

10-6 Audit Adjustments

The City is responsible for accurate financial reporting which includes detecting and preventing misstatements in the financial statements, as well as within the underlying financial records. As a result of our audit procedures, several audit adjustments were necessary for the fair presentation of the financial statements.

Although the City relies on the independent auditor for the fair presentation of the financial statements, the auditor cannot be a part of the City's internal control system. Therefore, based on the amount of adjustments made as a result of the audit, the City has a significant deficiency regarding the fairness of financial reporting.

Therefore, we recommend that the City implement procedures to ensure all entries are properly recorded prior to commencement of the audit to facilitate the preparation of financial statements in accordance with generally accepted accounting principles.

10-7 Fraud

Subsequent to year-end, a theft occurred at the golf course for approximately \$24,000. Per our review, it appears that cash deposits were not deposited into the bank for over a month. This theft was discovered by the Finance Director during the April 2011 bank reconciliation process. Although the bank reconciliation process identified this theft and the City has since implemented procedures to have a police officer deliver the deposits to the bank, other policies and procedures need to be implemented to strengthen internal controls over the cash operations at the golf course and the bank reconciliation process.

We recommend the following:

- a. The daily cash report, generated by the point-of-sale system at the golf course, as well as the validated deposit slip which reconciles to the daily cash report, both be signed off by two individuals at the golf course (one being the manager), and delivered daily to the Finance Department.**
- b. A daily void report, generated by the point-of-sale system at the golf course with explanations next to each voided transaction, containing two signatures as noted above, delivered daily to the Finance Department.**
- c. The Finance Department, on a daily basis, agreeing the daily cash report to the validated deposit slip, reviewing the daily void report to identify any discrepancies or irregularities, and verifying all required signatures are intact.**

- d. During the bank reconciliation process, tracing each reconciling item to supporting documentation to determine if there are any timing issues for un-cleared items.**



P. O. Drawer 351 • Arcadia, Florida 34265

September 20, 2011

The Honorable David W. Martin, CPA
State of Florida Auditor General
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

This letter is the City of Arcadia's response to Independent Auditor's Comments for the Fiscal Year Ended September 30, 2010.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

10-1 Financial Condition Assessment

For several years, our assessment of the City's financial condition has disclosed a gradual deterioration in the City's financial position. The City has suffered a deficiency of revenues under expenditures in the General Fund for eight of the past ten years and the Enterprise Fund has shown operating losses in each of the past ten years. As a result, the City's financial condition has steadily been declining. This has been of particular concern in the General Fund where transfers are made annually from the Enterprise Fund to cover these deficiencies, and fund balance in the General Fund is at an amount equivalent to less than three months of expenditures. For fiscal year ending September 30, 2010, the General Fund reported a deficiency of revenues under expenditures of \$725,436, but an overall increase in fund balance of \$62,886 due to transfers in from other funds of which \$200,000 was from the Enterprise Fund. The Enterprise Fund reported an operating loss of \$410,422, a net loss before transfers of \$626,183, and an overall reduction in net assets of \$596,069. These continuing losses and transfers to subsidize the General Fund have depleted unrestricted net assets in the Enterprise Fund to a deficit of \$669,613 as of September 30, 2010. The situation is critical and appropriate action needs to be taken as soon as possible to remedy the current situation and prevent further depletion of operating reserves.

We again strongly recommend that the City evaluate the reasons for these negative financial results and take action to develop future plans and budgets that will produce positive financial results, avoid continuing deficits, and rebuild equity.

City Reply:

Over the last six (6) years the City has steadily decreased its workforce by combining positions or not filling positions when they became vacant. The Council has made significant cuts in the fiscal year 2010/2011 budget in order to eliminate the need for the \$200,000 transfer from the Enterprise Fund. Also the City did increase water and sewer rates by 20% during December 2010 that will bring in additional revenue to offset expenses in the Enterprise Fund and begin to rebuild equity. The City will need to consider making additional cuts within the General Fund in order to forgo all transfers to the General Fund, cover all of its expenditures and rebuild equity.

10-2 Rate Covenant

In accordance with the Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003, the City covenants to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals and other charges for the use of the products, services and facilities of the water and sewer system which shall provide revenues sufficient to pay: (i) 100% of all cost of operation and maintenance as the same shall become due in such year, (ii) 125% of the bond service requirement due in such year on the outstanding bonds, and (iii) 100% of all other deposits to be made pursuant to the resolution and all other amounts payable from pledged revenues. As noted in the previous year, our audit disclosed for fiscal year ending September 30, 2010, the City did not collect sufficient revenues to satisfy 125% of the bond service requirement or 100% of all other amounts payable from pledged revenues. As noted in the Finding 10-1 above, the City has been continually experiencing operating deficits in the Water and Sewer Enterprise Fund.

Although the City Council has taken measures to increase water and wastewater utility rates during fiscal year 2009-2010, the City can not continue funding the deficits in the General Fund with Water and Sewer funds. We recommend the following:

- **The City should closely monitor, review, and if necessary, adjust current year budgeted expenses to ensure compliance with the provisions of this debt agreement.**
- **Continually monitor the performance of the fund after the approved rate adjustments and budget cuts are made to ensure that current charges are sufficient to meet current operating needs, fund future capital requirements, satisfy debt covenants, and restore equity in the fund.**
- **Discontinue the practice of transferring funds to the General Fund.**

City Reply:

The City contracted for a rate study and based on the results increased water and sewer rates by 20% during the 2009-2010 fiscal year and again by 20% during the 2010-2011 fiscal year. Commencing in 2010-2011, the City discontinued the practice of transferring funds from the Enterprise Fund to the General Fund. The City will continue to retain the revenues associated with the Water and Sewer Enterprise Fund within the Enterprise Fund and its associated funds and manage all related expenses associated with the Enterprise Fund in order to meet the established requirements of the 2003 Bond Rate Covenant.

10-3 Mobile Home Park Revenues

As noted in the prior year, our review of cash collection procedures for the mobile home park disclosed there was limited assurance and accountability that all cash collected is deposited and reported. The mobile home park has permanent mobile home rentals, as well as temporary recreational vehicle parking rentals. There is only one person that collects the rental fees, and there are no procedures in place to reconcile the occupancy of the park with the amount of cash collected.

Therefore, we recommend that monthly cash collections be reconciled to a monthly log of spaces occupied at the mobile home park that is prepared and signed by a second individual. This reconciliation should be reviewed by Finance to verify the accuracy and completeness of the reconciliation and the amounts deposited.

City Reply:

A spreadsheet has been created listing all mobile home spaces and RV spaces. A spreadsheet has also been created reconciling the daily amounts received for the Mobile Home Park. The two spreadsheets will be reviewed for spaces rented and vacant and tied to actual receipts on a monthly basis. The mobile home park manager and the secretary for the Parks & Recreation Department will sign the form and submit a copy to the Finance Department to use in reconciling rents deposited. The spreadsheets will be analyzed by the Finance Director and reconciled to the actual monthly rents received for the Mobile Home Park. This new system will create three (3) levels of security to guarantee that all rents associated with the Mobile Home Park are accounted for.

10-4 Capital Assets

Our audit disclosed that policies and procedures over capital assets need improvement. The City currently has no procedures in place for the removal of capital assets from the capital asset inventory. In addition, the City has not been performing periodic physical inventories of the capital assets and reconciling them to the amounts recorded on the books. A physical count of property should be periodically taken and compared to the items carried on the detailed capital asset listing, and all significant variances investigated. Such physical counts will help detect the loss or unauthorized use of valuable City property.

We recommend the City establish policies and procedures for the removal of capital assets from the capital asset listing to aid in identifying surplus capital assets requiring disposal, providing for the proper approval and authorization for the disposing of such items, and providing a documented source for removing them from the books and records of the City.

We also recommend that the City establish a policy to perform an annual inventory of the capital assets to provide a proper accounting of capital assets and to establish safeguards over them from unauthorized use or disposal.

City Reply:

The City will establish policies and procedures that will be given to all department heads in order to add and remove all capital assets associated with the City. All capital assets that require removal will be forwarded to the Finance Director who will remove the asset from the City's books and records. In addition, the City will perform an annual periodic physical inventory of all capital assets prior to year end. All necessary additions and removals will be performed by the Finance Director prior to each year end.

10-5 Budget

The City prepares an annual budget at the beginning of the year; however, no budget amendments are made for the changes in the level of activity during the year. During our audit, we noted that budgeted revenue for the General Fund was approximately \$187,000 less than estimated revenues and budgeted revenue for the Water and Sewer Fund was approximately \$350,000 less than estimated revenues, while several departments in both funds overspent their appropriated budget. The fundamental purpose of budgetary control is to plan beforehand and then maintain operations according to the plan. If properly monitored, budgets provide early identification of financial shortfalls and help ensure timely decisions are made. We believe the City could more accurately evaluate financial performance by more closely monitoring and revising the budget for changes in activity.

We recommend the City perform periodic evaluations and amendments to the budget throughout the year to more accurately evaluate the financial performance of the City.

City Reply:

During the 2009-2010 fiscal year, the previous Finance Director did not prepare any budget amendments. Since the new Finance Director began employment in late August 2010, he was not familiar enough with the 2009-2010 budget to prepare budget amendments. The City has resolved this issue starting in October 2010, by preparing monthly financial statements that analyze actual versus budgeted activity and during the 2010-2011 fiscal year, four (4) budget amendments have already been made revising the budget for changes in activity. The City will continue to analyze the monthly actual activity with the budgeted activity and continue to revise the budget periodically.

10-6 Audit Adjustments

The City is responsible for accurate financial reporting which includes detecting and preventing misstatements in the financial statements, as well as within the underlying financial records. As a result of our audit procedures, several audit adjustments were necessary for the fair presentation of the financial statements.

Although the City relies on the independent auditor for the fair presentation of the financial statements, the auditor cannot be a part of the City's internal control system. Therefore, based on the amount of adjustments made as a result of the audit, the City has a significant deficiency regarding the fairness of financial reporting.

Therefore, we recommend that the City implement procedures to ensure all entries are properly recorded prior to commencement of the audit to facilitate the preparation of financial statements in accordance with generally accepted accounting principles.

City Reply:

Commencing employment in late August 2010, the new Finance Director was only responsible for one month of accounting during the 2009-2010 audit period. If the accounting records prior to the new Finance Director's employment were not properly maintained or were unfairly presented resulting in numerous audit adjustments that was out of the new Finance Director's control. The new Finance Director has familiarized himself with the City's accounting processes, and has implemented procedures to ensure that all entries are properly recorded in order to minimize future audit adjustments.

10-7 Fraud

Subsequent to year-end, a theft occurred at the golf course for approximately \$24,000. Per our review it appears that cash deposits were not deposited into the bank for over a month. This theft was discovered by the Finance Director during the April 2011 bank reconciliation process. Although the bank reconciliation process identified this theft and the City has since implemented procedures to have a police officer deliver the deposits to the bank, other policies and procedures need to be implemented to strengthen internal controls over the cash operations at the golf course and the bank reconciliation process.

We recommend the following:

- **The daily cash report, generated by the point-of-sale system at the golf course, as well as the validated deposit slip which reconciles to the daily cash report, both be signed off by two individuals at the golf course (one being the manager), and delivered to the Finance Department.**
- **A daily void report, generated by the point-of-sale system at the golf course with explanations next to each voided transaction, containing two signatures as noted above, delivered daily to the Finance Department.**

- **The Finance Department, on a daily basis, agreeing the daily cash report to the validated deposit slip, reviewing the daily void report to identify any discrepancies or irregularities, and verifying all required signatures are intact.**
- **During the bank reconciliation process, tracing each reconciling item to supporting documentation to determine if there are any timing issues for un-cleared items.**

City Reply:

Immediately after the theft was detected by the Finance Director in April 2011, the City implemented strict guidelines in regards to accounting for all golf course related monies. Prior to the theft all staff had access to the safe where the monies were stored and deposits were not deposited on a daily basis. Immediately after the theft, the City commenced using a police officer to deposit all monies related to the golf course on a daily basis. The City also assigned the sole responsibility of the access to the safe to the manager of the golf course. The City also implemented procedures to rely on the reports generated by the point-of-sale system to prepare daily deposit slips and reconcile all golf course activities to the information provided to the Finance Department.

Sincerely,

CITY OF ARCADIA

A handwritten signature in black ink that reads "Jorge L. Santana". The signature is written in a cursive, flowing style.

Jorge L. Santana
Finance Director



**ANNUAL CERTIFICATION FOR THE SEWAGE SYSTEM
CAPITAL IMPROVEMENT ACCOUNT ESTABLISHED FOR THE
STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL
PROTECTION GRANT NUMBER 680030 TO THE
CITY OF ARCADIA, FLORIDA**

Honorable Mayor, City Council
and City Administrator
City of Arcadia, Florida
and

The Florida Department of Environmental Protection
Bureau of Local Government Wastewater Financial Assistance
Tallahassee, Florida

We have audited the financial statements of the City of Arcadia, Florida, as of and for the year ended September 30, 2010, and have issued our report thereon dated September 20, 2011. These financial statements are the responsibility of the City of Arcadia, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In conjunction with that audit, we performed tests of the City of Arcadia, Florida's compliance with the grant agreement, Section 403.1826(6) of the Florida Statutes, and Chapter 17-501.610(2)(b) of the Florida Administrative Code, specifically as it relates to the maintenance of a "Sewage System Capital Improvement Account," through September 30, 2010. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the City of Arcadia, Florida, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the Mayor, City Council, City Administrator, management and the Florida Department of Environmental Protection and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 20, 2011

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