

CITY OF ARCADIA, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2014

CITY OF ARCADIA, FLORIDA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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COMBINING FUND FINANCIAL STATEMENTS

Nonmajor Governmental Funds

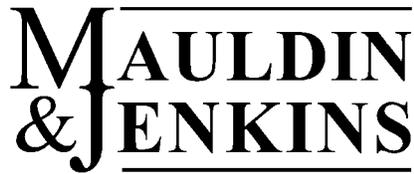
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CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arcadia, Florida (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* as of October 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and by Section 215.97, Florida Statutes, and is also not a required part of the basic financial statements.

The combining fund financial statements and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 30, 2015

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CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014
(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 17).

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 exceeded its liabilities at September 30, 2014, by \$27,730,309 (net position). Of this amount, \$6,412,728 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2014, the City's governmental funds reported combined ending fund balances of \$5,347,153, for an increase of \$1,079,112 in comparison with the prior year. Of this amount, \$1,436,374 is available for spending at the City's discretion (unassigned fund balance).
- The City's total net position increased \$3,636,624. Net position for governmental activities increased \$823,779, while net position for business-type activities increased \$2,812,845.
- Total debt for the City increased \$289,205 or 3.75% during the current fiscal year as a result of the State Revolving Fund Loan for Water Treatment Plant construction and new leases.

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.

This discussion and analysis is intended to serve as an introduction to the City'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.

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014
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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 Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The focus of the Statement of Net Position 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 position 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 change in net position 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 and the airport, 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 (known as the primary government). There are no component units.

The government-wide financial statements can be found on pages 17 to 18 of this report.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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legal requirements. All of the funds of the City can be grouped into three (3) categories: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on 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 reflects debt proceeds and the sale of capital assets as other financing sources, and 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 six (6) individual governmental funds, three (3) proprietary funds and two (2) fiduciary funds. 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 and McSwain Park Fund which are 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.

For fiscal year 2013-2014, the City adopted annual appropriated budgets for the General Fund, McSwain Park Fund, Community Development Block Grant Fund, Capital Improvement Fund, Water and Sewer Fund, Solid Waste Fund, and Airport Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 19 and 20 of this report.

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SEPTEMBER 30, 2014
(UNAUDITED)

Proprietary Funds. The City maintains only one (1) of the two (2) 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 reports three (3) enterprise funds to account for its public utilities system and airport. 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 24 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 fiduciary funds to account for the two (2) pension trust funds for the Police Officers' and Firefighters' Retirement System and Employees' Retirement Plan. 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 to 29 of this report.

Notes to the Basic 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 starting on page 29 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 No. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$27,730,309 at the close of the most recent fiscal year.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014
(UNAUDITED)**

**Table 1
City of Arcadia's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,733,018	\$ 5,218,744	\$ 4,711,551	\$ 2,988,212	\$ 10,444,569	\$ 8,206,956
Capital assets	4,915,482	5,292,764	21,905,998	20,403,247	26,821,480	25,696,011
Total assets	<u>10,648,500</u>	<u>10,511,508</u>	<u>26,617,549</u>	<u>23,391,459</u>	<u>37,266,049</u>	<u>33,902,967</u>
Deferred outflows of resources	-	-	378,357	441,416	378,357	441,416
Other liabilities	763,016	778,429	634,006	650,789	1,397,022	1,429,218
Long-term liabilities outstanding	184,455	855,829	8,332,620	7,965,651	8,517,075	8,821,480
Total liabilities	<u>947,471</u>	<u>1,634,258</u>	<u>8,966,626</u>	<u>8,616,440</u>	<u>9,914,097</u>	<u>10,250,698</u>
Net position:						
Net investment in capital assets	4,915,482	5,292,764	13,895,344	13,123,215	18,810,826	18,415,979
Restricted	1,738,235	1,239,378	768,520	705,187	2,506,755	1,944,565
Unrestricted	3,047,312	2,345,108	3,365,416	1,388,033	6,412,728	3,733,141
Total net position	<u>\$ 9,701,029</u>	<u>\$ 8,877,250</u>	<u>\$ 18,029,280</u>	<u>\$ 15,216,435</u>	<u>\$ 27,730,309</u>	<u>\$ 24,093,685</u>

By far, the largest portion of the City's net position (68%) 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.

A portion of the City's net position, \$2,506,755, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$6,412,728, 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 position for governmental activities.

For more detailed information see the Statement of Net Position (page 17).

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Normal Impacts

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

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

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. An increase in capital assets and an increase in related net debt will not change the net investment in capital assets.

Spending of Non-borrowed Current Assets on New Capital – will reduce current assets and increase capital assets, and reduce unrestricted net position and increase the net investment in capital assets.

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

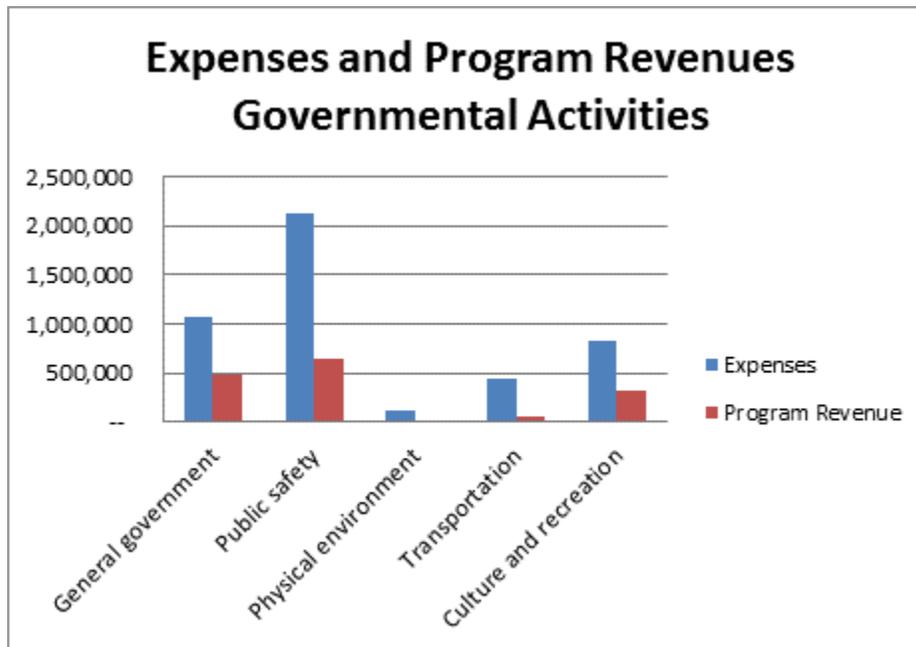
Reduction of Capital Assets through Depreciation – will reduce capital assets and the net investment in capital assets.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014
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**Table 2
City of Arcadia's
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 1,421,589	\$ 1,649,098	\$ 4,906,804	\$ 3,704,565	\$ 6,328,393	\$ 5,353,663
Operating grants	-	146,653	-	20,923	-	167,576
Capital grants	114,249	-	1,612,522	1,879,042	1,726,771	1,879,042
General revenues:						
Property taxes	1,479,227	1,515,643	-	-	1,479,227	1,515,643
Other taxes	1,530,478	1,624,327	-	-	1,530,478	1,624,327
Franchise fees	436,729	376,476	-	-	436,729	376,476
Intergovernmental	514,076	491,702	-	-	514,076	491,702
Other	10,829	233,581	85,896	12,389	96,725	245,970
Total revenues	<u>5,507,177</u>	<u>6,037,480</u>	<u>6,605,222</u>	<u>5,616,919</u>	<u>12,112,399</u>	<u>11,654,399</u>
Expenses:						
General government	1,045,522	1,169,820	-	-	1,045,522	1,169,820
Public safety	2,107,420	2,409,539	-	-	2,107,420	2,409,539
Physical environment	435,679	649,029	-	-	435,679	649,029
Transportation	811,126	437,981	-	-	811,126	437,981
Economic environment	110,438	24,476	-	-	110,438	24,476
Culture and recreation	-	868,330	-	-	-	868,330
Water and sewer	-	-	2,890,004	2,813,598	2,890,004	2,813,598
Airport	-	-	823,587	95,833	823,587	95,833
Solid Waste	-	-	251,999	-	251,999	-
Total expenses	<u>4,510,185</u>	<u>5,559,175</u>	<u>3,965,590</u>	<u>2,909,431</u>	<u>8,475,775</u>	<u>8,468,606</u>
Change in net position before transfers	<u>996,992</u>	<u>478,305</u>	<u>2,639,632</u>	<u>2,707,488</u>	<u>3,636,624</u>	<u>3,185,793</u>
Transfers	<u>(173,213)</u>	<u>(141,370)</u>	<u>173,213</u>	<u>141,370</u>	<u>-</u>	<u>-</u>
Change in net position	823,779	336,935	2,812,845	2,848,858	3,636,624	3,185,793
Net position, beginning	8,877,250	8,540,315	15,216,435	12,367,577	24,093,685	20,907,892
Net position, ending	<u>\$ 9,701,029</u>	<u>\$ 8,877,250</u>	<u>\$ 18,029,280</u>	<u>\$ 15,216,435</u>	<u>\$ 27,730,309</u>	<u>\$ 24,093,685</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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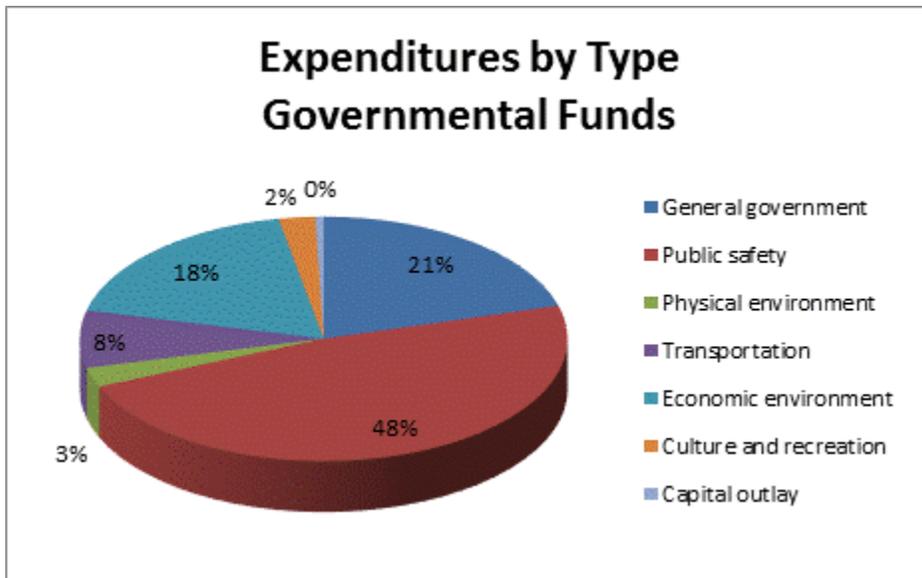
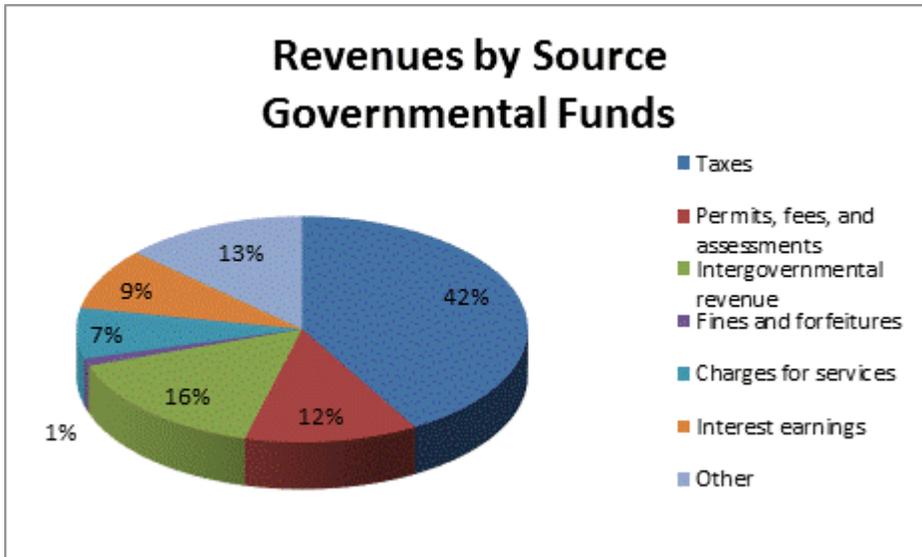


Financial Analysis of the City's Funds – As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, unassigned 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 \$5,347,153, an increase of \$1,079,112 in comparison with the prior year. Approximately 27% of this total amount, \$1,436,374, constitutes unassigned fund balance which is available for spending at the City's discretion. During the current fiscal year, the fund balance of the General Fund increased by \$282,251.

Nonmajor governmental funds consisting of special revenue funds and capital project funds have a combined fund balance of \$3,410,779 of which all of it is restricted or assigned.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014
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(UNAUDITED)

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$3,118,013; and the increase in net position was \$1,986,093. The City increased water utility rates and late fees in November 2012, 2013 and 2014, in an effort to rebuild net position in this fund.

General Fund Budgetary Highlights – The City did amend the 2013-2014 budget during the year. Overall, General Fund expenditures were less than budgeted appropriations by \$582,145. More detailed information can be found in the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 65.

Capital Assets and Debt Administration

Capital Assets – The City's capital assets for its governmental and business-type activities as of September 30, 2014, amount to \$26,821,480 (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	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,334,812	\$ 1,334,812	\$ 380,778	\$ 380,778	\$ 1,715,590	\$ 1,715,590
Construction in progress	-	-	8,926,677	8,150,060	8,926,677	8,150,060
Buildings	948,021	996,024	2,134,979	2,387,624	3,083,000	3,383,648
Improvements other than buildings	444,699	539,427	860,744	151,827	1,305,443	691,254
Infrastructure	2,031,368	2,065,142	8,606,395	9,019,689	10,637,763	11,084,831
Machinery and equipment	156,582	357,359	996,425	313,269	1,153,007	670,628
Total	\$ 4,915,482	\$ 5,292,764	\$ 21,905,998	\$ 20,403,247	\$ 26,821,480	\$ 25,696,011

Construction continued on the water treatment plant improvements during the year. Additional information on the City's capital assets can be found in Note E of the notes to the basic financial statements.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014
(UNAUDITED)**

Long-term Debt – At the end of the 2014 fiscal year, the City had debt outstanding of \$7,935,230.

**Table 4
City of Arcadia's Outstanding Debt**

	Business-type Activities	
	2014	2013
Bonds payable	\$ 2,596,325	\$ 2,906,816
State Revolving Fund loan payable	4,534,913	4,407,336
Capital lease payable	879,416	407,297
	\$ 8,010,654	\$ 7,721,449

Debt balances increased due to the State Revolving Fund loan payable which is being used for construction of the new water treatment plant and related items and a new capital lease for equipment purchases.

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

Economic Factors and Next Year's Budget

For fiscal year 2014-2015, the City's property tax values increased slightly. The City adopted a millage rate of 8.8195 which was an increase from 8.6694 in fiscal year 2013-2014. The City is making efforts to increase fund balance in the General Fund; however, increases in pension contributions and other expenditures have had a significant impact on the City's ability to do so.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City'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 Director, P.O. Box 1000, Arcadia, Florida 34265.

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BASIC FINANCIAL STATEMENTS

CITY OF ARCADIA, FLORIDA

STATEMENT OF NET POSITION SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,963,489	\$ 3,120,547	\$ 8,084,036
Accounts receivable, net of allowances	325,637	472,707	798,344
Due from other governments	265,949	188,657	454,606
Internal balances	152,251	(152,251)	-
Restricted assets:			
Cash and cash equivalents	-	1,081,891	1,081,891
Other noncurrent asset - pension	25,692	-	25,692
Capital assets:			
Nondepreciable	1,334,812	9,307,455	10,642,267
Depreciable, net	3,580,670	12,598,543	16,179,213
Total assets	10,648,500	26,617,549	37,266,049
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refundings	-	378,357	378,357
Total deferred outflows or resources	-	378,357	378,357
LIABILITIES			
Accounts payable	96,443	274,547	370,990
Accrued liabilities	118,730	81,386	200,116
Customer deposits payable	-	278,073	278,073
Other noncurrent liability - OPEB	510,581	214,981	725,562
Other noncurrent liability - Pension	37,262	-	37,262
Capital leases due within one year	-	238,857	238,857
Capital leases due in more than one year	-	640,559	640,559
Notes payable due in more than one year	-	4,534,913	4,534,913
Bonds payable due within one year	-	330,000	330,000
Bonds payable due in more than one year	-	2,266,325	2,266,325
Compensated absences due within one year	83,847	7,500	91,347
Compensated absences due in more than one year	100,608	99,485	200,093
Total liabilities	947,471	8,966,626	9,914,097
NET POSITION			
Net investment in capital assets	4,915,482	13,895,344	18,810,826
Restricted for debt service	-	768,520	768,520
Restricted for housing rehabilitation	7,574	-	7,574
Restricted for capital projects	1,730,661	-	1,730,661
Unrestricted	3,047,312	3,365,416	6,412,728
Total net position	\$ 9,701,029	\$ 18,029,280	\$ 27,730,309

The accompanying notes are an integral part of these financial statements.

CITY OF ARCADIA, FLORIDA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,045,522	\$ 476,832	\$ -	\$ -	\$ (568,690)	\$ -	\$ (568,690)
Public safety	2,107,420	560,293	-	84,621	(1,462,506)	-	(1,462,506)
Physical environment	110,438	2,298	-	-	(108,140)	-	(108,140)
Transportation	435,679	62,954	-	29,628	(343,097)	-	(343,097)
Culture and recreation	811,126	319,212	-	-	(491,914)	-	(491,914)
Total governmental activities	<u>4,510,185</u>	<u>1,421,589</u>	<u>-</u>	<u>114,249</u>	<u>(2,974,347)</u>	<u>-</u>	<u>(2,974,347)</u>
Business-type activities:							
Water and sewer	2,890,004	4,045,463	-	819,738	-	1,975,197	1,975,197
Solid Waste	823,587	802,731	-	-	-	(20,856)	(20,856)
Airport	251,999	58,610	-	792,784	-	599,395	599,395
Total business-type activities	<u>3,965,590</u>	<u>4,906,804</u>	<u>-</u>	<u>1,612,522</u>	<u>-</u>	<u>2,553,736</u>	<u>2,553,736</u>
Total primary government	<u>\$ 8,475,775</u>	<u>\$ 6,328,393</u>	<u>\$ -</u>	<u>\$ 1,726,771</u>	<u>(2,974,347)</u>	<u>2,553,736</u>	<u>(420,611)</u>
General revenues:							
Property taxes					1,479,227	-	1,479,227
Local option gas tax					256,642	-	256,642
Infrastructure tax					471,340	-	471,340
Public service taxes					506,134	-	506,134
Communications services taxes					239,849	-	239,849
Business license taxes					56,513	-	56,513
Franchise fees					436,729	-	436,729
Intergovernmental, unrestricted					514,076	-	514,076
Unrestricted investment earnings					10,829	10,896	21,725
Gain on sale of capital assets					-	75,000	75,000
Transfers					(173,213)	173,213	-
Total general revenues and transfers					<u>3,798,126</u>	<u>259,109</u>	<u>4,057,235</u>
Change in net position					823,779	2,812,845	3,636,624
Net position, beginning of year					8,877,250	15,216,435	24,093,685
Net position, end of year					<u>\$ 9,701,029</u>	<u>\$ 18,029,280</u>	<u>\$ 27,730,309</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ARCADIA, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	<u>General</u>	<u>McSwain Park</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,138,979	\$ 500,000	\$ 3,324,510	\$ 4,963,489
Accounts receivable, net	325,637	-	-	325,637
Due from other governments	157,626	-	108,323	265,949
Due from other funds	163,641	-	-	163,641
Total assets	<u>\$ 1,785,883</u>	<u>\$ 500,000</u>	<u>\$ 3,432,833</u>	<u>\$ 5,718,716</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 76,189	\$ -	\$ 20,254	\$ 96,443
Accrued liabilities	118,730	-	-	118,730
Due to other funds	9,590	-	1,800	11,390
Total liabilities	<u>204,509</u>	<u>-</u>	<u>22,054</u>	<u>226,563</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - restitution	145,000	-	-	145,000
Total deferred inflows of resources	<u>145,000</u>	<u>-</u>	<u>-</u>	<u>145,000</u>
FUND BALANCES				
Restricted for:				
Housing rehabilitation	-	-	7,574	7,574
Transportation	-	-	1,230,661	1,230,661
Parks and recreation	-	500,000	-	500,000
Assigned for:				
Special projects	-	-	1,158,000	1,158,000
Capital projects	-	-	1,014,544	1,014,544
Unassigned	1,436,374	-	-	1,436,374
Total fund balances	<u>1,436,374</u>	<u>500,000</u>	<u>3,410,779</u>	<u>5,347,153</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,785,883</u>	<u>\$ 500,000</u>	<u>\$ 3,432,833</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital assets			\$ 10,525,585	
Less accumulated depreciation			<u>(5,610,103)</u>	4,915,482
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				
				145,000
Net pension asset is not a financial asset in governmental fund activities and therefore is not reported in governmental funds.				
				25,692
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.				
Compensated absences			\$ (184,455)	
Other post-employment benefits			(510,581)	
Net pension obligation			<u>(37,262)</u>	<u>(732,298)</u>
Net position of governmental activities				<u>\$ 9,701,029</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ARCADIA, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>General</u>	<u>McSwain Park</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
REVENUES				
Taxes	\$ 2,538,365	\$ -	\$ 471,340	\$ 3,009,705
Charges for services	396,539	-	-	396,539
Permits, fees and assessments	680,071	-	-	680,071
Intergovernmental	598,697	-	29,628	628,325
Fines and forfeitures	60,293	-	-	60,293
Interest revenue	10,829	-	-	10,829
Other revenues	221,415	500,000	-	721,415
Total revenues	<u>4,506,209</u>	<u>500,000</u>	<u>500,968</u>	<u>5,507,177</u>
EXPENDITURES				
Current:				
General government	852,802	-	58,308	911,110
Public safety	2,127,890	-	-	2,127,890
Economic environment	82,525	-	30,771	113,296
Transportation	300,408	-	36,448	336,856
Parks and recreation	805,499	-	-	805,499
Capital outlay	29,834	-	78,580	108,414
Debt service:				
Principal	25,000	-	-	25,000
Total expenditures	<u>4,223,958</u>	<u>-</u>	<u>204,107</u>	<u>4,428,065</u>
Net change in fund balances	282,251	500,000	296,861	1,079,112
Fund balances, beginning of year	<u>1,154,123</u>	<u>-</u>	<u>3,113,918</u>	<u>4,268,041</u>
Fund balances, end of year	<u>\$ 1,436,374</u>	<u>\$ 500,000</u>	<u>\$ 3,410,779</u>	<u>\$ 5,347,153</u>

The accompanying notes are an integral part of these financial statements.

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 FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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

Net change in fund balances - total governmental funds	\$		1,079,112
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>			
Capital outlay expenditures	\$	108,239	
Less current year depreciation expense		<u>(312,308)</u>	(204,069)
<p>The net effect of various miscellaneous transactions (i.e., sales and donations) is to decrease net position.</p>			
			(173,213)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>			
			25,000
<p>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.</p>			
Change in net pension asset and obligation	\$	70	
Change in OPEB liability		57,681	
Change in compensated absences		<u>39,198</u>	<u>96,949</u>
			<u>\$ 823,779</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ARCADIA, FLORIDA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Airport Fund (Nonmajor)</u>	<u>Totals</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,781,244	\$ 231,020	\$ 108,283	\$ 3,120,547
Restricted cash and cash equivalents:				
2003 refunding bonds, sinking fund	365,298	-	-	365,298
Customer deposits	278,073	-	-	278,073
Accounts receivable, net of allowances	382,163	85,690	4,854	472,707
Due from other governments	186,002	-	2,655	188,657
Due from other funds	1,593	-	9,590	11,183
Total current assets	<u>3,994,373</u>	<u>316,710</u>	<u>125,382</u>	<u>4,436,465</u>
NONCURRENT ASSETS				
Restricted assets, cash - 2003 refunding bonds, reserve funds	438,520	-	-	438,520
Capital assets:				
Nondepreciable	9,073,800	-	233,655	9,307,455
Depreciable, net of accumulated depreciation	10,481,016	452,096	1,665,431	12,598,543
Total noncurrent assets	<u>19,993,336</u>	<u>452,096</u>	<u>1,899,086</u>	<u>22,344,518</u>
Total assets	<u>23,987,709</u>	<u>768,806</u>	<u>2,024,468</u>	<u>26,780,983</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refundings	378,357	-	-	378,357
Total deferred outflows of resources	<u>378,357</u>	<u>-</u>	<u>-</u>	<u>378,357</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	247,727	23,901	-	271,628
Accrued liabilities	32,677	7,924	-	40,601
Accrued interest	-	5,487	-	5,487
Retainage payable	2,919	-	-	2,919
Current portion - compensated absences	7,500	-	-	7,500
Current portion - capital leases payable	173,438	65,419	-	238,857
Due to other funds	75,863	85,978	1,593	163,434
Payable from restricted assets:				
Customer deposits	278,073	-	-	278,073
Accrued interest	35,298	-	-	35,298
Bonds payable, current portion	330,000	-	-	330,000
Total current liabilities	<u>1,183,495</u>	<u>188,709</u>	<u>1,593</u>	<u>1,373,797</u>
NONCURRENT LIABILITIES				
Compensated absences, net of current portion	92,392	7,093	-	99,485
Revenue bonds payable, net of current portion	2,266,325	-	-	2,266,325
Capital leases payable, net of current portion	357,615	282,944	-	640,559
Notes payable, net of current portion	4,534,913	-	-	4,534,913
Net OPEB liability	152,278	62,703	-	214,981
Total noncurrent liabilities	<u>7,403,523</u>	<u>352,740</u>	<u>-</u>	<u>7,756,263</u>
Total liabilities	<u>8,587,018</u>	<u>541,449</u>	<u>1,593</u>	<u>9,130,060</u>
NET POSITION				
Net investment in capital assets	11,892,525	103,733	1,899,086	13,895,344
Restricted for debt service	768,520	-	-	768,520
Unrestricted	3,118,003	123,624	123,789	3,365,416
Total net position	<u>\$ 15,779,048</u>	<u>\$ 227,357</u>	<u>\$ 2,022,875</u>	<u>\$ 18,029,280</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ARCADIA, FLORIDA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund (Nonmajor)	Totals
OPERATING REVENUES				
Charges for services	\$ 3,850,210	\$ 802,731	\$ 58,610	\$ 4,711,551
Tap and capacity recovery fees	7,169	-	-	7,169
Other services	188,084	-	-	188,084
Total operating revenues	<u>4,045,463</u>	<u>802,731</u>	<u>58,610</u>	<u>4,906,804</u>
OPERATING EXPENSES				
Personal services	926,752	372,644	-	1,299,396
Operating expenses	1,062,187	375,977	176,497	1,614,661
Depreciation	704,140	69,479	60,621	834,240
Total operating expenses	<u>2,693,079</u>	<u>818,100</u>	<u>237,118</u>	<u>3,748,297</u>
Operating income (loss)	<u>1,352,384</u>	<u>(15,369)</u>	<u>(178,508)</u>	<u>1,158,507</u>
NONOPERATING INCOME (EXPENSES)				
Intergovernmental	-	-	792,784	792,784
Interest income	10,896	-	-	10,896
Interest expense	(196,925)	(5,487)	(14,881)	(217,293)
Gain on disposal of capital assets	-	75,000	-	75,000
Total nonoperating income (expenses)	<u>(186,029)</u>	<u>69,513</u>	<u>777,903</u>	<u>661,387</u>
Income before contributions	1,166,355	54,144	599,395	1,819,894
CAPITAL CONTRIBUTIONS	<u>819,738</u>	<u>173,213</u>	<u>-</u>	<u>992,951</u>
Change in net position	1,986,093	227,357	599,395	2,812,845
NET POSITION, beginning of year	<u>13,792,955</u>	<u>-</u>	<u>1,423,480</u>	<u>15,216,435</u>
NET POSITION, end of year	<u>\$ 15,779,048</u>	<u>\$ 227,357</u>	<u>\$ 2,022,875</u>	<u>\$ 18,029,280</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ARCADIA, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund (Nonmajor)	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 4,146,739	\$ 803,019	\$ 70,862	\$ 5,020,620
Payments to suppliers	(1,126,883)	(352,076)	(193,372)	(1,672,331)
Payments to employees	(887,442)	(294,924)	-	(1,182,366)
Net cash provided by (used in) operating activities	<u>2,132,414</u>	<u>156,019</u>	<u>(122,510)</u>	<u>2,165,923</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental grant	-	-	792,784	792,784
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>792,784</u>	<u>792,784</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,039,710)	(348,362)	(648,129)	(2,036,201)
Proceeds from the disposal of capital assets	-	75,000	-	75,000
Proceeds from capital leases and notes payable	250,000	348,363	370,230	968,593
Principal paid on bonds	(320,000)	-	-	(320,000)
Principal paid on notes payable and capital leases	(126,244)	-	(370,230)	(496,474)
Capital contributions	819,738	-	-	819,738
Interest paid	(128,223)	-	(14,881)	(143,104)
Net cash provided by (used in) capital and related financing activities	<u>(544,439)</u>	<u>75,001</u>	<u>(663,010)</u>	<u>(1,132,448)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	10,896	-	-	10,896
Net cash provided by investing activities	<u>10,896</u>	<u>-</u>	<u>-</u>	<u>10,896</u>
Change in cash and cash equivalents	<u>1,598,871</u>	<u>231,020</u>	<u>7,264</u>	<u>1,837,155</u>
Cash and cash equivalents:				
Beginning of year	<u>2,264,264</u>	<u>-</u>	<u>101,019</u>	<u>2,365,283</u>
End of year	<u>\$ 3,863,135</u>	<u>\$ 231,020</u>	<u>\$ 108,283</u>	<u>\$ 4,202,438</u>
Classified as:				
Cash and cash equivalents	\$ 2,781,244	\$ 231,020	\$ 108,283	\$ 3,120,547
Restricted cash and cash equivalents, sinking fund	365,298	-	-	365,298
Restricted cash and cash equivalents, customer deposits	278,073	-	-	278,073
Restricted cash, reserve funds	438,520	-	-	438,520
	<u>\$ 3,863,135</u>	<u>\$ 231,020</u>	<u>\$ 108,283</u>	<u>\$ 4,202,438</u>

(Continued)

CITY OF ARCADIA, FLORIDA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Airport Fund (Nonmajor)</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,352,384	\$ (15,369)	\$ (178,508)	\$ 1,158,507
Adjustments to reconcile operating income (loss) to net cash provided (used in) by operating activities:				
Depreciation	704,140	69,479	60,621	834,240
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	58,376	(85,690)	(358)	(27,672)
Decrease in due from other governments	267,733	-	20,607	288,340
(Increase) decrease in due from other funds	130,493	85,978	(9,590)	206,881
Increase (decrease) in accounts payable	(106,069)	23,901	(16,875)	(99,043)
Increase in accrued liabilities	39,310	15,017	-	54,327
Increase in customer deposits	40,039	-	-	40,039
Increase in OPEB	1,334	62,703	-	64,037
Increase (decrease) in due to other funds	(355,326)	-	1,593	(353,733)
Net cash provided by (used in) operating activities	<u>\$ 2,132,414</u>	<u>\$ 156,019</u>	<u>\$ (122,510)</u>	<u>\$ 2,165,923</u>
Noncash investing, capital, and financing activities:				
Donated assets from other funds	\$ -	\$ 173,213	\$ -	\$ 173,213
Capitalized interest	127,577	-	-	127,577
Net noncash investing, capital, and financing activities	<u>\$ 127,577</u>	<u>\$ 173,213</u>	<u>\$ -</u>	<u>\$ 300,790</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ARCADIA, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS SEPTEMBER 30, 2014

	Pension Trust Funds
ASSETS	
Contributions receivable	\$ 59,557
Interest and dividends receivable	15,271
Investments	
Money market funds	393,251
U.S. Government and agencies	708,068
Mortgage backed securities	707,101
Corporate bonds	1,479,843
Corporate stocks	5,433,897
Mutual funds	823,396
Pooled investments	1,405,258
Total investments	<u>10,950,814</u>
Total assets	<u>11,025,642</u>
LIABILITIES	
Accounts payable	<u>10,672</u>
Total liabilities	<u>10,672</u>
NET POSITION	
Net position restricted for Pension benefits	<u><u>\$ 11,014,970</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF ARCADIA, FLORIDA

**STATEMENT OF CHANGES FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Pension Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 524,597
Plan members	78,981
Total contributions	603,578
Investment income	
Net increase (decrease) in fair value of investments	2,475
Realized gain on sale of investments	441,242
Interest and dividends	302,461
Total investment income	746,178
Less investment expenses	91,397
Net investment income	654,781
Total additions	1,258,359
DEDUCTIONS	
Benefits	630,600
Administrative expenses	35,533
Refund of contributions	31,054
Total deductions	697,187
Change in net position	561,172
Net position restricted for pension benefits	
Net position, beginning of year, as restated	10,453,798
Net position, end of year	\$ 11,014,970

The accompanying notes are an integral part of these financial statements.

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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.

Effective October 1, 2013, the City’s General Employee’ Pension Plan, and Police & Fire Employees’ Pension Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the plan.

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 7,600. 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. The GASB has set forth criteria to be considered in determining financial accountability. A primary government is considered financially accountable if it appoints a voting majority of an organization’s governing body and is able to impose its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government and a financial benefit or burden relationship exists, regardless of the authority of the organization’s governing board. 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 Position and the Statement of Activities) report information on all of the non-fiduciary 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of grant revenues, which are considered available when eligible expenditures have been incurred even though they may be collected beyond 60 days. Property taxes, gas taxes, utility taxes, franchise fees, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 payments remain 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.

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.

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 *McSwain Park Fund* is used to account for the receipt, custody and expenditure of grants and other funds used for the restoration of McSwain Park.

The government reports the following major proprietary funds:

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

The *Solid Waste Fund* accounts for the activities associated with providing solid waste services to residents of the City.

Additionally, the government reports the following fiduciary fund type:

The *pension trust funds* account for the activities of the City's retirement plans which accumulate resources for pension benefit payments made to qualified pension employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's enterprise funds 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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 *non-operating* 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 funds are charges to customers for sales and services. Operating expenses for the enterprise funds 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 non-operating revenues and expenses.

4. Assets, Liabilities and Net Position or Fund Balance

(a) Deposits and investments

The City maintains a pooled cash account that is available for use by all funds, except the pension trust funds. 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.

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, interest-bearing time deposits, and deposits in the Local Government Surplus Trust Fund Investment Pool administered by the Florida State Board of Administration. Investments are held only in the pension trust funds and consist of short-term investments and marketable securities reported at fair value based on quoted market prices. 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, 2014.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities and Net Position or Fund Balance (Continued)

(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 doubtful accounts. The accounts receivable in excess of 90 days for water, sewer, garbage, and utility tax revenues comprises the allowance for doubtful accounts. The allowance for doubtful accounts as of September 30, 2014, was \$751,796 in the Water and Sewer Fund and \$126,297 in the Solid Waste Fund.

(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 \$5,000 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 the asset life are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities and Net Position or Fund Balance (Continued)

(d) Capital assets (continued)

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

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. Interest in the amount of \$127,577 was capitalized for fiscal year ending September 30, 2014.

(e) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charges on refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. Accordingly, the item, unavailable funds for restitution, is reported only in the balance sheet for the governmental funds. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities and Net Position or Fund Balance (Continued)

(f) Compensated absences

Accumulated unpaid vacation 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 and sick pay is accrued when earned in the government-wide financial statements.

(g) 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 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.

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

(h) Fund equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance—Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Non-spendable—Fund balances are reported as non-spendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e. items that are not expected to be converted to cash such as prepaid items and advances to other funds), or (b) legally or contractually required to be maintained intact.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities and Net Position or Fund Balance (Continued)

(h) Fund equity

Restricted—Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed—Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution or ordinance. Only the City Council may modify or rescind the commitment. These self-imposed limitations must be set in place prior to the end of the fiscal year.

Assigned—Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is stipulated by the City Council or an official for whom that authority has been given by City Council. With the exception of the General Fund, amounts in all other governmental funds that are not *non-spendable, restricted or committed* will be considered to be *assigned*. Also, at fiscal year-end, any appropriation of existing fund balance to eliminate a projected budgetary deficit in the next year's budget is considered to be an assignment of fund balance.

Pursuant to Florida Statute 212.055 and Resolution 2009-11, the City Council authorized the expenditure of infrastructure surtax proceeds and interest for any public purpose deemed necessary by the City Council. Since the expenditure of these funds is stipulated by City Council, these funds are reported as assigned. Since there is no specific purpose for the expenditure of these funds identified in the resolution, these funds do not qualify as committed funds.

Unassigned—Fund balances reported as unassigned are the residual amount of balances that do not meet any of the above criteria. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balance may be reported in other governmental funds.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities and Net Position or Fund Balance (Continued)

(h) Fund equity

Net Position—Net position represents the difference between assets and liabilities. The net investment in capital assets consists 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. The net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All net position not reported as net investment in capital assets or restricted net position, is reported as unrestricted net position.

Flow Assumptions—When both restricted and unrestricted amounts of fund balance/net position are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted for the General Fund, Infrastructure Fund, Street Reserve Fund, Community Development Block Grant Fund, Capital Improvement Fund, Water and Sewer Fund, and Airport Fund. 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 the fund level for all other funds. The City Council retains the right to amend the budget as necessary throughout the course of the year.

For the year ended September 30, 2014, the following departments reported expenditures in excess of budget appropriations in the General Fund:

Financial and administrative	\$ (10,944)
Way building	(116)
Comprehensive planning	(15,186)
Law enforcement	(23,601)
Fire control	(242,391)
Cemetery	(31,861)
Mobile home park	(32,602)

Although positive budget variances for revenues and expenditures reported in other departments more than offset these negative budget variances, expenditures in excess of appropriations is a budgetary violation.

Budget amounts in the accompanying financial statements are as originally adopted, or as amended by the appropriate authority.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE C – GASB 67 – RESTATEMENT OF NET POSITION

GASB Statement 67 requires that a defined benefit pension plan recognize a liability for benefits when the benefits currently are due and payable to a plan member. Therefore, only those amounts in the deferred retirement option program (DROP) accounts that are due and payable to the plan member at the end of the fiscal year should be reported as a liability in the pension plan’s statement of fiduciary net position.

The City previously reported the DROP balances as a liability before the benefits were currently due to a plan member and therefore reduced net position of the pension plan. A restatement was necessary in the Police Officers’ and Firefighters’ Retirement System to reclassify the expenses previously reported as the DROP liability. The net position as been restated at October 1, 2013 as follows:

	<u>Police Officers' and Firefighters' Retirement System</u>	
Net position, October 1, 2013, as previously reported	\$	7,931,928
Implementation of GASB 67		416,750
		<u>416,750</u>
Net position, October 1, 2013, restated	\$	<u>8,348,678</u>

NOTE D – DEPOSITS AND INVESTMENTS

As of September 30, 2014, the City had the following investments and maturities, which were all held in the pension trust funds:

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</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	NR	\$ 393,251	\$ -	\$ 393,251	\$ -	\$ -	\$ -
U.S. government and agencies	Aaa	708,068	-	60,152	293,985	353,931	-
Mortgage backed securities	NR	707,101	-	-	-	-	707,101
Corporate bonds	A1-Baa3	1,479,843	-	-	1,219,667	260,176	-
Corporate stocks	NR	5,433,897	5,433,897	-	-	-	-
Mutual funds	NR	823,396	823,396	-	-	-	-
Pooled investments	NR	1,405,258	1,405,258	-	-	-	-
Total		<u>\$ 10,950,814</u>	<u>\$ 7,662,551</u>	<u>\$ 453,403</u>	<u>\$ 1,513,652</u>	<u>\$ 614,107</u>	<u>\$ 707,101</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The police officers’ and firefighters’ retirement system investment policy realizes that reasonable consistency of return and protection of assets against the inroads of inflation are paramount. However, the volatility of interest rates and security markets makes it necessary to judge results within the context of several years rather than over short periods.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk results from the potential default of investments that are not financially sound. The City has not adopted a written investment policy; therefore, the City's investments are limited in accordance with Florida Statute 218.415(17) to the Local Government Surplus Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; and direct obligations of the U.S. Treasury.

The City's funds in the Local Government Surplus Trust Fund (the "LGIP"), a Securities and Exchange Commission 2a7-like external investment pool, in the amount of \$427,762 is reported at amortized cost and has a weighted average of 39 days to maturity as of September 30, 2014. The fund is rated AAAM by Standard & Poor's.

The police officers' and firefighters' retirement system has an investment policy that limits investments to: (1) time, savings and money market accounts of a national bank, a state bank or a savings and loan institution, insured by the Federal Deposit Insurance Corporation, provided the amount deposited does not exceed the insured amount; (2) obligations issued by the United States government or obligations guaranteed as to principal and interest by the United States or by an agency of the United States government; (3) stocks, commingled funds administered by national or state banks, mutual funds and bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia. Equities must be traded on a national exchange; fixed income securities shall have a minimum rating of investment grade or higher as reported by a major credit rating service, except 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; and money market funds should have a minimum rating of A1 by Standard & Poor's or P1 by Moody's.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the quantity of investments in a single issuer. The police officers' and firefighters' retirement system investment policy states that the value of bonds issued by any single corporation shall not exceed 4% of the total fund, no more than 5% of the plan 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 66% of plan assets at cost or 70% of plan assets at market value should be invested in corporate common stock and convertible bonds. Foreign securities shall not exceed 25% of the market value of the plan.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS

The following is a summary of changes in capital assets for the governmental activities for the year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,334,812	\$ -	\$ -	\$ -	\$ 1,334,812
Total capital assets, not being depreciated	<u>1,334,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,334,812</u>
Capital assets, being depreciated:					
Buildings	1,811,273	-	-	-	1,811,273
Improvements other than buildings	1,521,850	-	-	-	1,521,850
Infrastructure	3,868,027	62,711	-	-	3,930,738
Furniture, fixtures and equipment	2,506,596	45,528	-	(625,212)	1,926,912
Total capital assets, being depreciated	<u>9,707,746</u>	<u>108,239</u>	<u>-</u>	<u>(625,212)</u>	<u>9,190,773</u>
Less accumulated depreciation for:					
Buildings	(815,249)	(48,003)	-	-	(863,252)
Improvements other than buildings	(982,423)	(94,728)	-	-	(1,077,151)
Infrastructure	(1,802,885)	(96,485)	-	-	(1,899,370)
Furniture, fixtures and equipment	(2,149,237)	(73,092)	-	451,999	(1,770,330)
Total accumulated depreciation	<u>(5,749,794)</u>	<u>(312,308)</u>	<u>-</u>	<u>451,999</u>	<u>(5,610,103)</u>
Total capital assets, being depreciated, net	<u>3,957,952</u>	<u>(204,069)</u>	<u>-</u>	<u>(173,213)</u>	<u>3,580,670</u>
Governmental activities capital assets, net	<u>\$ 5,292,764</u>	<u>\$ (204,069)</u>	<u>\$ -</u>	<u>\$ (173,213)</u>	<u>\$ 4,915,482</u>

Depreciation expense was charged to the various functions of governmental activities as follows:

Governmental activities:	
General government	\$ 135,052
Public safety	38,270
Public works	103,759
Physical environment	1,412
Culture and recreation	33,815
Total depreciation expense - governmental activities	<u>\$ 312,308</u>

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets for the business-type activities for the year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 380,778	\$ -	\$ -	\$ -	\$ 380,778
Construction in progress	8,150,060	1,513,989	-	(737,372)	8,926,677
Total capital assets, not being depreciated	<u>8,530,838</u>	<u>1,513,989</u>	<u>-</u>	<u>(737,372)</u>	<u>9,307,455</u>
Capital assets, being depreciated:					
Buildings	9,489,325	-	-	-	9,489,325
Improvements other than buildings	1,103,320	-	-	737,372	1,840,692
Infrastructure	16,956,064	-	-	-	16,956,064
Furniture, fixtures and equipment	3,871,085	649,789	-	173,213	4,694,087
Total capital assets, being depreciated	<u>31,419,794</u>	<u>649,789</u>	<u>-</u>	<u>910,585</u>	<u>32,980,168</u>
Less accumulated depreciation for:					
Buildings	(7,101,701)	(252,645)	-	-	(7,354,346)
Improvements other than buildings	(951,493)	(28,455)	-	-	(979,948)
Infrastructure	(7,936,375)	(413,294)	-	-	(8,349,669)
Furniture, fixtures and equipment	(3,557,816)	(139,846)	-	-	(3,697,662)
Total accumulated depreciation	<u>(19,547,385)</u>	<u>(834,240)</u>	<u>-</u>	<u>-</u>	<u>(20,381,625)</u>
Total capital assets, being depreciated, net	<u>11,872,409</u>	<u>(184,451)</u>	<u>-</u>	<u>910,585</u>	<u>12,598,543</u>
Business-type activities capital assets, net	<u>\$ 20,403,247</u>	<u>\$ 1,329,538</u>	<u>\$ -</u>	<u>\$ 173,213</u>	<u>\$ 21,905,998</u>

Depreciation expense was charged to the various functions of business-type activities as follows:

Business-type activities:	
Water and sewer	\$ 704,140
Solid waste	69,479
Airport	60,621
Total depreciation expense - business-type activities	<u>\$ 834,240</u>

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – LONG-TERM LIABILITIES

Long-term liability activity for the governmental activities for the year ended September 30, 2014, consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Claims payable	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
Compensated absences	223,653	38,176	(77,374)	184,455	83,847
Other post-employment benefits	568,262	-	(57,681)	510,581	-
Net pension obligation	<u>38,914</u>	<u>141,924</u>	<u>(143,576)</u>	<u>37,262</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 855,829</u>	<u>\$ 180,100</u>	<u>\$ (303,631)</u>	<u>\$ 732,298</u>	<u>\$ 83,847</u>

Long-term liabilities of the governmental activities, which include claims payable, compensated absences, other post-employment benefits, and the net pension obligation, are generally liquidated by the General Fund.

Long-term liability activity for the business-type activities for the year ended September 30, 2014, consisted of the following:

Business-type activities:					
2003 Refunding bonds	\$ 2,925,000	\$ -	\$ (320,000)	\$ 2,605,000	\$ 330,000
Less bond discount	<u>(18,184)</u>	<u>-</u>	<u>9,509</u>	<u>(8,675)</u>	<u>-</u>
Total bonds payable	<u>2,906,816</u>	<u>-</u>	<u>(310,491)</u>	<u>2,596,325</u>	<u>330,000</u>
State Revolving Fund loan	4,407,336	127,577	-	4,534,913	-
Note payable	-	370,230	(370,230)	-	-
Capital lease payable	407,297	598,363	(126,244)	879,416	238,857
Compensated absences	93,259	21,297	(7,571)	106,985	7,500
Other post-employment benefits	<u>150,944</u>	<u>64,037</u>	<u>-</u>	<u>214,981</u>	<u>-</u>
Business-type activity Long-term liabilities	<u>\$ 7,965,652</u>	<u>\$ 1,181,504</u>	<u>\$ (814,536)</u>	<u>\$ 8,332,620</u>	<u>\$ 576,357</u>

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – LONG-TERM LIABILITIES (CONTINUED)

The City's long-term liabilities for business-type activities at September 30, 2014, consisted of the following:

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.

\$ 2,605,000

State Revolving Fund (SRF) loan issued in the amount of \$4,520,904 of which \$4,407,336 has been drawn down as of September 30, 2014. Principal and interest will be payable in equal semi-annual installments of \$152,848 for a period of twenty (20) years with a proposed date of first repayment starting October 15, 2015, and interest rates ranging from 2.5% to 3.06%. The principal and interest is secured by net revenues of the water and sewer system.

4,534,913

Capital leases payable for water meters, a garbage truck, and a vacuum truck. Principal and interest is payable monthly in installments of \$11,773 including interest at 4.3% through October 2016 for the water meter lease. Principal and interest is payable in annual installments of \$76,393 beginning in April 2015 at 3.15% through April 2019 for the garbage truck. Principal and interest is payable in annual installments of \$45,756 beginning in October 2014 at 3.20% through October 2019 for the vacuum truck.

879,416

\$ 8,019,329

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements for the business-type activities (excluding capital leases) as of September 30, 2014, are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 330,000	\$ 99,707	\$ 429,707
2016	345,000	86,836	431,836
2017	355,000	73,051	428,051
2018	370,000	58,551	428,551
2019	385,000	43,211	428,211
2020-2021	820,000	33,905	853,905
	<u>\$ 2,605,000</u>	<u>\$ 395,261</u>	<u>\$3,000,261</u>

The estimated principal amount of the SRF loan and payment terms have not been finalized, and thus have not been included in the above schedule. Currently, semi-annual loan payments (principal and interest) are estimated to be in the amount of \$152,848 starting on October 15, 2015, and semiannually thereafter on October 15 and April 15 for a period of 20 years.

Capital Lease

The City entered into various municipal lease/purchase agreement as lessee for financing the acquisition of new water meters for the entire City and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have 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	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Improvements other than buildings	\$ 1,196,296	\$ -
Equipment	250,000	348,362
Less accumulated depreciation	(228,470)	(34,836)
	<u>\$ 1,217,826</u>	<u>\$ 313,526</u>

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – LONG-TERM LIABILITIES (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

Year Ending September 30,	Water and Sewer Fund	Solid Waste Fund
2015	\$ 187,028	\$ 76,393
2016	187,028	76,393
2017	57,528	76,393
2018	45,756	76,393
2019	45,756	76,390
Thereafter	45,756	-
Total minimum lease payments	568,852	381,962
Less amount representing interest	(37,799)	(33,600)
Present value of minimum lease payments	<u>\$ 531,053</u>	<u>\$ 348,362</u>

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: (1) 100% of all cost of operation and maintenance as the same shall become due in such year, (2) 125% of the bond service requirement due in such year on the outstanding bonds, and (3) 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, 2014, the City was in compliance with the debt covenant.

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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at September 30, 2014, is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>				<u>Totals</u>
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Airport Fund</u>	
General Fund	\$ -	\$ 75,863	\$ 85,978	\$ -	\$ 161,841
Water and Sewer	-	-	-	1,593	1,593
Airport Fund	9,590	-	-	-	9,590
	<u>\$ 9,590</u>	<u>\$ 75,863</u>	<u>\$ 85,978</u>	<u>\$ 1,593</u>	<u>\$ 173,024</u>

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur; transactions are recorded in the accounting system; and payments between funds are made.

NOTE I – COMMITMENTS AND CONTINGENCIES

Grants

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.

Lawsuits

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. During the year ended September 30, 2014, the City was awarded restitution in the amount of \$145,000 related to the theft of City funds. The City is confident that these funds will be recovered and has recorded a receivable for the full amount owed.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE I – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitment

At September 30, 2014, the City had the following commitment:

	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance</u>
Water Treatment Plant			
Engineers	\$1,440,580	\$1,382,746	\$ 57,834
Construction	7,686,643	7,211,244	475,399
	<u>\$9,127,223</u>	<u>\$8,593,990</u>	<u>\$ 533,233</u>

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' Retirement Plan and Police Officers' and Firefighters' Retirement System financial statements are reported as a pension trust funds in the fiduciary fund financial statements. These statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due and when the employer has made a formal commitment to provide the contributions. State contributions for the Police Officers' and Firefighters' Retirement System 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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Statements of Fiduciary Net Position

	Police Officers' and Firefighters' Retirement System	Employees' Retirement Plan	Total
ASSETS			
Contributions receivable	\$ 59,557	\$ -	\$ 59,557
Interest and dividends receivable	15,271	-	15,271
Investments	8,722,160	2,228,654	10,950,814
TOTAL ASSETS	8,796,988	2,228,654	11,025,642
LIABILITIES			
Accounts payable	10,672	-	10,672
Total liabilities	10,672	-	10,672
NET POSITION			
Net position restricted for pension benefits	\$ 8,786,316	\$ 2,228,654	\$ 11,014,970

Statement of Changes in Fiduciary Net Position

ADDITIONS			
Contributions			
Employer	\$ 381,020	\$ 143,577	\$ 524,597
Plan member	48,565	30,416	78,981
Total contributions	429,585	173,993	603,578
Investment income			
Net increase (decrease) in fair value of investments	(30,094)	32,569	2,475
Realized gain on sale of investments	441,242	-	441,242
Interest and dividends	203,129	99,332	302,461
Total investment income	614,277	131,901	746,178
Less investment expenses	58,606	32,791	91,397
Net investment income	555,671	99,110	654,781
Total additions	985,256	273,103	1,258,359
DEDUCTIONS			
Benefits	483,766	146,834	630,600
Administrative expenses	32,798	2,735	35,533
Refund of contributions	31,054	-	31,054
Total deductions	547,618	149,569	697,187
Change in net position	437,638	123,534	561,172
Net position restricted for pension benefits			
Net position, beginning of year, restated	8,348,678	2,105,120	10,453,798
Net position, end of year	\$ 8,786,316	\$ 2,228,654	\$ 11,014,970

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees’ Retirement Plan

Plan Description

The Employees’ Retirement Plan for the City of Arcadia (the “Plan”) is a single-employer contributory defined benefit plan administered by the City covering all municipal employees except for police officers and firefighters. The Plan does not issue a stand-alone financial report, but is included in the pension trust funds of the City’s financial statements.

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 19 (age 21 prior to September 20, 2011).
- E. Entry date is 1/1 coinciding with or next following the date the requirements are met.

As of the actuarial valuation date of January 1, 2014, membership consisted of:

Retirees, disabled participants and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	31
Active employees	21
Total	52

The vesting schedule is as follows:

Vesting Schedule for General Employees
Effective as of September 20, 2011

Age	Years of Service	Vesting %
Less than 55	Less than 2	0%
	2	20%
	3	40%
	4	60%
	5	80%
	6 or more	100%
55 and over	Any number	100%

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Prior to September 20, 2011

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 5 consecutive years of highest compensation of the last 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.

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 basic earnings excluding bonuses, overtime and commissions. The employer is required to contribute actuarially determined amounts which, together with member contributions, are sufficient to fund the System.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 IRS Small Plan Combined Static Mortality Tables are 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.

Plan Disclosures

Effective October 1, 2013, the City's Employees' Retirement Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the plans. The information disclosed below is presented in accordance with this new standard. The City's Plan does not issue separate financial statements.

Net Pension Liability of the City

The components of the net pension liability of the City at September 30, 2014, were as follows:

Total pension liability	\$ 3,045,160
Plan fiduciary net position	(2,228,654)
City's net pension liability	<u>\$ 816,506</u>
Plan fiduciary net position as a percentage of total pension liability	73.19%

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2014, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	4.50%
Investment Rate of Return	6.50%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Russell 1000 Value TR USD	11.30%
Russell Mid Cap Growth TR USD	12.50%
MSCI EAFE GR USD	7.44%
Barclays US Govt 1-3 Yr TR USD	4.46%
Aetna General Account	3.05%

Discount Rate: The discount rate used to measure the total pension liability for the Employees’ Retirement Plan was 6.50%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liabilities of the City, calculated using the discount rates noted above, as well as what the City's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's Net Pension Liability	\$ 1,191,501	\$ 816,506	\$ 494,320

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014, and the current sharing pattern of costs between employer and employee.

Employer Disclosures

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective October 1, 2014, the provisions of GASB Statement No. 27 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the plans under GASB Statement No. 67 as previously discussed.

Annual Pension Cost and Net Pension Obligation: The annual required contribution, annual pension cost, and net pension obligation (NPO) for fiscal year 2014 was determined as part of the January 1, 2014, actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

Calculation of Net Pension Obligation

	9/30/14	9/30/13	9/30/12
1. NPO at beginning of period	\$ 38,914	\$ 39,110	\$ 31,777
2. Annual Pension Costs			
a. Annual Required Contribution (ARC)	143,577	177,130	159,404
b. Interest on NPO	2,529	2,542	2,066
c. Adjustments to ARC	(4,182)	(3,877)	(3,314)
d. Total = (a) + (b)+ (c)	141,924	175,795	158,156
3. Contributions made	143,576	175,991	150,823
4. Change in NPO - (2d) - (3)	(1,652)	(196)	7,333
5. NPO at end of period - (1) + (4)	\$ 37,262	\$ 38,914	\$ 39,110

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The City's annual pension cost for the Employees' Retirement Plan for the current year and each of the two preceding years is as follows:

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2012	\$ 158,156	95.36%	\$ 39,110
9/30/2013	175,795	100.11%	38,914
9/30/2014	141,924	101.16%	37,262

The funded status of the Plan as of the January 1, 2014, actuarial report is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/14	\$ 2,224,437	\$ 3,045,160	\$ 820,723	73.05 %	\$ 640,345	128.17 %

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.

All actuarial methods and assumptions used in the January 1, 2014, actuarial valuation report were the same as those used in the prior report:

Actuarial Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	10 years
Asset Valuation Method	Book Value
Salary Increases	4.50%
Investment Rate of Return	6.50%
Retirement Age	Normal Retirement Age, Age 65
Mortality	2014 IRS Small Plan Combined Static Mortality Table

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Police Officers' and Firefighters' Retirement System

Plan Description

The Police Officers' and Firefighters' Retirement System of the City of Arcadia (the “Plan”) 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 funds of the City's financial statements.

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. As of September 30, 2014, there were no remaining former paid firefighters contributing to the Plan.

At September 30, 2014, membership consisted of:

Retirees, disabled participants and beneficiaries currently receiving benefits, terminated employees not yet receiving benefits and DROP participants	28
Active employees	<u>13</u>
Total	<u>41</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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Disability:

Service incurred covered 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 ten 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).

Death:

Not Vested–Refund of member's contributions;
Vested–Accrued benefit paid to beneficiary for ten (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 Plan may elect to defer receipt of such service retirement pension by participating in the DROP, while continuing their employment with the City for a period not to exceed 60 months. The amount of the benefit under the DROP is the same as the participant would have received under the Plan 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 Plan, earning a 6.5% annual rate of return or actual net rate of return earned by the Plan at the member' election. Amounts in the DROP are then made available to the participant (various payment options are available) at the end of the DROP period. The DROP balance as September 30, 2014 is \$629,498.

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 on behalf of the City 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, 2014, was 75.37% of payroll. Contribution requirements for the Plan are established and may be amended by state law and city ordinance. The on-behalf contributions provided by the State of Florida for fiscal year ending September 30, 2014, were \$0.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

If an employee separates service from the City before achieving six years of credited service, the employee will receive 100% of their contributions. After achieving six 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 asset valuation method was a 4-year smoothing methodology of market value returns. Contribution rates for fiscal year ending September 30, 2014, were determined as of the October 1, 2012, actuarial report. In this report, the amortization method used was the level of percentage of pay, closed and the remaining amortization period was 26 years. Investment earnings were assumed at 8% per year. Salary increases were projected at 5.75 – 6.50% each year, including inflation of 3%. The Plan does not provide for post-retirement cost of living increases.

Plan Disclosures

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the plans. The information disclosed below is presented in accordance with this new standard. The City's Plan does not issue separate financial statements.

Net Pension Liability of the City

The components of the net pension liability of the City at September 30, 2014, were as follows:

Total pension liability	\$ 9,748,569
Plan fiduciary net position	(8,786,316)
City's net pension liability	<u>\$ 962,253</u>
Plan fiduciary net position as a percentage of total pension liability	90.13%

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2014, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.75-6.50%
Investment Rate of Return	8.00%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.5%
International Equity	8.5%
Domestic Fixed Income	2.5%
Global Fixed Income	3.5%

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 8.00%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liabilities of the City, calculated using the discount rates noted above, as well as what the City's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
City's Net Pension Liability	\$ 1,909,698	\$ 962,253	\$ 148,982

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014, and the current sharing pattern of costs between employer and employee.

Employer Disclosures

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective October 1, 2014, the provisions of GASB Statement No. 27 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the plans under GASB Statement No. 67 as previously discussed.

Annual Pension Cost and Net Pension Obligation: The annual required contribution, annual pension cost, and net pension obligation (NPO) for fiscal year 2014 was determined as part of the January 1, 2014, actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

Calculation of Net Pension Obligation			
	9/30/14	9/30/13	9/30/12
1. NPO at beginning of period	<u>\$ (27,274)</u>	<u>\$ (28,954)</u>	<u>\$ (30,736)</u>
2. Annual Pension Costs			
a. Annual Required Contribution (ARC)	381,020	357,026	240,164
b. Interest on NPO	(2,182)	(2,316)	(2,459)
c. Adjustments to ARC	<u>3,764</u>	<u>3,995</u>	<u>4,241</u>
d. Total = (a) + (b)+ (c)	382,602	358,705	241,946
3. Contributions made	<u>381,020</u>	<u>357,025</u>	<u>240,164</u>
4. Change in NPO, (2d) - (3)	<u>1,582</u>	<u>1,680</u>	<u>1,782</u>
5. NPO at end of period, (1) + (4)	<u><u>\$ (25,692)</u></u>	<u><u>\$ (27,274)</u></u>	<u><u>\$ (28,954)</u></u>

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The City's annual pension cost for the Employees' Retirement Plan for the current year and each of the two preceding years is as follows:

Fiscal Year Ending	Three-Year Trend Information		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
9/30/2012	\$ 241,946	99.26%	\$ (28,954)
9/30/2013	358,705	99.53%	(27,274)
9/30/2014	382,602	99.59%	(25,692)

The funded status of the Plan as of the October 1, 2014, actuarial report is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/14	\$ 8,631,846	\$ 9,919,240	\$ 1,287,394	87.02 %	\$ 511,791	251.55 %

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.

All actuarial methods and assumptions used in the October 1, 2014, actuarial valuation report were the same as those used in the prior report.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City 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 fiscal year, the City provided required contributions of \$122,572 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. 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 (AMM) 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 for the past two fiscal years were as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Actual City Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 387,064	\$ 148,560	38%	\$ 704,903
June 30, 2013	122,949	108,646	88%	719,206
June 30, 2014	128,928	122,572	95%	725,562

The following table shows the development of the City’s annual OPEB cost and net OPEB obligation for the past three fiscal years:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal Cost	\$ 23,913	\$ 22,774	\$ 233,766
Amortization of unfunded actuarial accrued liability	148,168	142,469	150,189
Annual required contribution	172,081	165,243	383,955
Interest on net OPEB obligation	28,768	28,196	18,656
Adjustments to annual required contribution	(71,921)	(70,490)	(15,547)
Annual OPEB cost	128,928	122,949	387,064
Contributions made	122,572	108,646	148,560
Increase in net OPEB obligation	6,356	14,303	238,504
Net OPEB obligation, beginning of year	719,206	704,903	466,399
Net OPEB obligation, end of year	<u>\$ 725,562</u>	<u>\$ 719,206</u>	<u>\$ 704,903</u>

Funded Status and Funding Progress—As of September 30, 2014, the AMM valuation date, the Plan assets were \$0, the actuarial accrued liability was \$1,384,654, the total unfunded actuarial accrued liability was \$1,384,654, 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 \$2,357,730, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 58.73%.

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 3% 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, 2014 was ten years. Health insurance trends start at 11.5% for the fiscal year ending in 2014 and 8% for 2015, grading down by 0.5% per year to 5% at the ultimate trend rate by 2021.

During the summer of 2013, the City revised the retiree health subsidy program. Under the revised policy, employees retiring after September 30, 2013, with at least 20 years of service will be eligible for a Medicare stipend. There will be no other form of direct premium subsidy from the City for employees retiring in the future. Current retirees not eligible for Medicare may continue receiving the City assistance under the current arrangements until they become eligible for Medicare benefits. Upon attaining eligibility for Medicare, such current retirees will be required to discontinue coverage through the City group plan and they may be eligible for a stipend at a fixed amount of \$225 per month. Retirees currently covered through a Medicare Supplement are grandfathered and may continue coverage and receive the direct City subsidy for as long as they remain covered under the plan.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 2,409,886	\$ 2,409,886	\$ 2,538,365	\$ 128,479
Charges for services	554,724	554,724	396,539	(158,185)
Permits, fees and assessments	653,000	653,000	680,071	27,071
Intergovernmental	560,322	586,932	598,697	11,765
Fines and forfeitures	36,150	36,150	60,293	24,143
Interest revenue	-	-	10,829	10,829
Other revenues	247,800	247,800	221,415	(26,385)
Total revenues	<u>4,461,882</u>	<u>4,488,492</u>	<u>4,506,209</u>	<u>17,717</u>
EXPENDITURES:				
Current:				
General government:				
Legislative	74,588	74,588	68,428	6,160
Executive	221,286	221,286	162,937	58,349
Financial and administrative	152,403	152,403	163,347	(10,944)
Garage	120,400	120,400	115,919	4,481
Way Building	33,380	33,380	33,496	(116)
Legal	130,000	130,000	74,602	55,398
Comprehensive planning	65,261	65,261	80,447	(15,186)
Other governmental services	815,742	815,742	153,626	662,116
Total general government	<u>1,613,060</u>	<u>1,613,060</u>	<u>852,802</u>	<u>760,258</u>
Public safety:				
Law enforcement	1,488,745	1,515,355	1,538,956	(23,601)
Fire control	331,076	331,076	573,467	(242,391)
School crossing guard	18,988	18,988	15,467	3,521
Total public safety	<u>1,838,809</u>	<u>1,865,419</u>	<u>2,127,890</u>	<u>(262,471)</u>
Physical environment:				
Cemetery	50,664	50,664	82,525	(31,861)
Total public works	<u>50,664</u>	<u>50,664</u>	<u>82,525</u>	<u>(31,861)</u>
Transportation:				
Roads and streets	349,966	349,966	269,446	80,520
Traffic control	53,000	53,000	30,962	22,038
Total transportation	<u>402,966</u>	<u>402,966</u>	<u>300,408</u>	<u>102,558</u>
Parks and recreation:				
Golf course	446,814	446,814	409,980	36,834
Parks	237,199	237,199	227,770	9,429
Mobile home park	135,147	135,147	167,749	(32,602)
Total parks and recreation	<u>819,160</u>	<u>819,160</u>	<u>805,499</u>	<u>13,661</u>

(Continued)

CITY OF ARCADIA, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay	\$ 30,000	\$ 30,000	\$ 29,834	\$ 166
Debt service	25,000	25,000	25,000	-
Total expenditures	<u>4,779,659</u>	<u>4,806,269</u>	<u>4,223,958</u>	<u>582,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(317,777)</u>	<u>(317,777)</u>	<u>282,251</u>	<u>600,028</u>
OTHER FINANCING SOURCES				
Transfers in	<u>53,000</u>	<u>53,000</u>	-	<u>(53,000)</u>
Total other financing sources	<u>53,000</u>	<u>53,000</u>	-	<u>(53,000)</u>
Net change in fund balances	<u>(264,777)</u>	<u>(264,777)</u>	<u>282,251</u>	<u>547,028</u>
Fund balances, beginning of year	<u>1,154,123</u>	<u>1,154,123</u>	<u>1,154,123</u>	<u>-</u>
Fund balances, end of year	<u>\$ 889,346</u>	<u>\$ 889,346</u>	<u>\$ 1,436,374</u>	<u>\$ 547,028</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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
MCSWAIN PARK
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Other revenues	\$ -	\$ -	\$ 500,000	\$ (500,000)
Total revenues	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>(500,000)</u>
EXPENDITURES:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	500,000	(500,000)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 500,000</u></u>	<u><u>\$ (500,000)</u></u>

CITY OF ARCADIA, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - EMPLOYEES' RETIREMENT PLAN**

	2014
Total pension liability	
Service cost	\$ 68,971
Interest on total pension liability	202,194
Differences between expected and actual experience	(193,138)
Benefit payments, including refunds of employee contributions	(146,834)
Net change in total pension liability	(68,807)
Total pension liability - beginning	3,113,967
Total pension liability - ending (a)	\$ 3,045,160
Plan fiduciary net position	
Contributions - employer	\$ 143,577
Contributions - state	-
Contributions - employee	30,416
Net investment income	99,110
Benefit payments, including refunds of member contributions	(146,834)
Administrative expenses	(2,735)
Net change in plan fiduciary net position	123,534
Plan fiduciary net position - beginning	2,105,120
Plan fiduciary net position - ending (b)	\$ 2,228,654
City's net pension liability - ending (a) - (b)	\$ 816,506
Plan fiduciary net position as a percentage of the total pension liability	73.19%
Covered-employee payroll	\$ 594,195
City's net pension liability as a percentage of covered-employee payroll	137.41%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF ARCADIA, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION INVESTMENT RETURNS
EMPLOYEES' RETIREMENT PLAN**

2014

Annual money-weighted rate of return, net of investment expenses

4.87%

Notes to the Schedules:

The schedules will present 10 years of information once it is accumulated.

CITY OF ARCADIA, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM**

	<u>2014</u>	<u>2013</u>
Total pension liability		
Service cost	\$ 119,940	\$ 111,056
Interest on total pension liability	741,182	717,978
Differences between expected and actual experience	-	-
Benefit payments, including refunds of employee contributions	(514,785)	(580,930)
Net change in total pension liability	<u>346,337</u>	<u>248,104</u>
Total pension liability - beginning	<u>9,402,232</u>	<u>9,154,128</u>
Total pension liability - ending (a)	<u>\$ 9,748,569</u>	<u>\$ 9,402,232</u>
Plan fiduciary net position		
Contributions - employer	\$ 381,020	\$ 247,435
Contributions - state	-	109,590
Contributions - employee	48,565	56,484
Net investment income	555,671	888,134
Benefit payments, including refunds of member contributions	(514,820)	(580,930)
Administrative expenses	(32,798)	(30,115)
Net change in plan fiduciary net position	<u>437,638</u>	<u>690,598</u>
Plan fiduciary net position - beginning	<u>8,348,678</u>	<u>7,658,080</u>
Plan fiduciary net position - ending (b)	<u>\$ 8,786,316</u>	<u>\$ 8,348,678</u>
Town's net pension liability - ending (a) - (b)	<u>\$ 962,253</u>	<u>\$ 1,053,554</u>
Plan fiduciary net position as a percentage of the total pension liability	90.13%	88.79%
Covered-employee payroll	\$ 505,532	\$ 588,375
Town's net pension liability as a percentage of covered-employee payroll	190.34%	179.06%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF ARCADIA, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM**

	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 381,020	\$ 357,026
Contributions in relation to the actuarially determined contribution	381,020	357,026
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 505,532	\$ 588,375
Contributions as a percentage of covered-employee payroll	75.37%	60.68%

Notes to the Schedule:

Valuation Date October 1, 2012

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method:	Entry age normal actuarial cost method
Amortization method:	Level percentage of pay, closed
Remaining amortization period:	25years (as of 10/1/2012)
Asset valuation method:	Each year, the actuarial value of assets is brought forward using the historical geometric four-year average market value return. Over time, this may result in a deminis bias that is above or below the market value of assets.

Inflation: 3.0% per year

Salary increases:	<u>Years of Service</u>	<u>Increase in Compensation</u>
	Less than 5	6.50%
	5-10	6.25%
	10-15	6.00%
	More than 15	5.75%

Interest Rate: 8.0% per year, compounded annually, net of investment-related expenses

Interest Rate: 8.0% per year, compounded annually, net of investment-related expenses

Payroll growth: None

Retirement age:	<u>Number of Years after First Eligibility for Normal</u>	<u>Probability of Retirement</u>
	0	50%
	1	50%
	2	100%

Early retirement Beginning with eligibility for Early Retirement (Age 45 & 6 years of Credited Service), Members are assumed to retrue at the rate of 10% per year with immediate subsidized benefits.

The schedule will present 10 years of information once it is accumulated.

CITY OF ARCADIA, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PENSION INVESTMENT RETURNS
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM**

	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expenses	6.80%	11.69%

Notes to the Schedules:

The schedules will present 10 years of information once it is accumulated.

CITY OF ARCADIA, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS**

Employees' Retirement Plant (Except for Police Officers and Firefighters)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/14	\$ 2,224,437	\$ 3,045,160	\$ 820,723	73.05 %	\$ 640,345	128.17 %
01/01/13	2,075,913	3,030,771	954,858	68.49	809,733	117.92
01/01/12	1,956,546	2,928,098	971,552	66.82	686,316	141.56
01/01/11	1,918,708	2,880,372	961,664	66.61	821,992	116.99
01/01/10	1,760,785	2,908,228	1,147,443	60.54	956,730	119.93
01/01/09	1,539,570	2,779,378	1,239,808	55.39	960,281	129.11
01/01/08	1,560,424	2,630,835	1,070,411	59.31	968,475	110.53

Police Officers' and Firefighters' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/14	\$ 8,631,846	\$ 9,919,240	\$ 1,287,394	87.02 %	\$ 511,791	251.55 %
01/01/13	8,112,106	9,493,224	1,381,118	85.45	546,605	252.67
01/01/12	7,607,113	9,991,004	2,383,891	76.14	579,741	411.20
01/01/11	7,386,319	9,500,454	2,114,135	77.75	790,836	267.33
01/01/10	7,818,443	9,210,827	1,392,384	84.88	880,617	158.11
01/01/09	7,766,771	8,866,137	1,099,366	87.60	932,285	117.92
01/01/08	7,924,519	8,846,352	921,833	89.58	985,275	93.56

CITY OF ARCADIA, FLORIDA OPEB PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/10	\$ -	\$ 4,165,734	\$ 4,165,734	- %	\$ 1,793,708	232.24 %
09/30/12	-	1,384,654	1,384,654	-	2,357,730	58.73

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COMBINING FUND FINANCIAL STATEMENTS

These statements provide more detailed information than can be found in the basic financial statements. The combining fund financial statements provide information on the individual nonmajor governmental funds and the combining fiduciary funds.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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.

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.

Street Reserve Fund: This fund is used to account for the receipt, custody and expenditure of local option gas tax revenues for maintaining streets and roads.

CAPITAL PROJECTS FUND

Capital Improvement Fund: This fund is used to account for the receipt, custody and expenditure of funds designated for capital improvements.

CITY OF ARCADIA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

ASSETS	Special Revenue Funds				Totals
	CDBG	Infrastructure Fund	Street Reserve	Capital Improvement	
Cash and cash equivalents	\$ -	\$ 1,158,000	\$ 1,230,661	\$ 935,849	\$ 3,324,510
Due from other governments	29,628	-	-	78,695	108,323
Total assets	<u>\$ 29,628</u>	<u>\$ 1,158,000</u>	<u>\$ 1,230,661</u>	<u>\$ 1,014,544</u>	<u>\$ 3,432,833</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 20,254	\$ -	\$ -	\$ -	\$ 20,254
Due to other funds	1,800	-	-	-	1,800
Total liabilities	<u>22,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,054</u>
 FUND BALANCES					
Restricted for:					
Housing rehabilitation	7,574	-	-	-	7,574
Transportation	-	-	1,230,661	-	1,230,661
Assigned for:					
Special projects	-	1,158,000	-	-	1,158,000
Capital projects	-	-	-	1,014,544	1,014,544
Total fund balances	<u>7,574</u>	<u>1,158,000</u>	<u>1,230,661</u>	<u>1,014,544</u>	<u>3,410,779</u>
Total liabilities and fund balances	<u>\$ 29,628</u>	<u>\$ 1,158,000</u>	<u>\$ 1,230,661</u>	<u>\$ 1,014,544</u>	<u>\$ 3,432,833</u>

CITY OF ARCADIA, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Special Revenue Funds</u>				<u>Totals</u>
	<u>CDBG</u>	<u>Infrastructure Fund</u>	<u>Street Reserve</u>	<u>Capital Improvement</u>	
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 471,340	\$ 471,340
Intergovernmental	29,628	-	-	-	29,628
Total revenues	<u>29,628</u>	<u>-</u>	<u>-</u>	<u>471,340</u>	<u>500,968</u>
Expenditures:					
Current:					
General government	-	-	-	58,308	58,308
Economic environment	30,771	-	-	-	30,771
Parks and recreation	-	-	-	36,448	36,448
Capital outlay	-	-	-	78,580	78,580
Total expenditures	<u>30,771</u>	<u>-</u>	<u>-</u>	<u>173,336</u>	<u>204,107</u>
Net change in fund balances	(1,143)	-	-	298,004	296,861
Fund balances, beginning of year	<u>8,717</u>	<u>1,158,000</u>	<u>1,230,661</u>	<u>716,540</u>	<u>3,113,918</u>
Fund balances, end of year	<u>\$ 7,574</u>	<u>\$ 1,158,000</u>	<u>\$ 1,230,661</u>	<u>\$ 1,014,544</u>	<u>\$ 3,410,779</u>

FIDUCIARY FUNDS

Fiduciary funds are used to account for the activities of funds held in a trustee or agency capacity for others that cannot be used to support the City's own programs. The City reports pension trust funds which are used to account for the activities of the City's retirement systems, which accumulate resources for pension benefits payments made to employees.

Police Officers' and Firefighters' Retirement System: To account for the activities of the City's defined benefit retirement plan for police officers and former firefighters of the City.

Employees' Retirement Plan: To account for the activities of the City's defined retirement plan for all City employees other than police officers and former firefighters.

CITY OF ARCADIA, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS SEPTEMBER 30, 2014

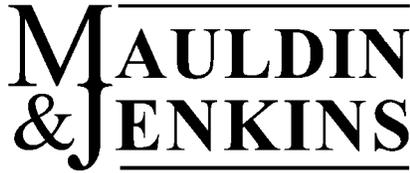
	<u>Police Officers' and Firefighters' Retirement System</u>	<u>Employees' Retirement Plan</u>	<u>Total</u>
ASSETS			
Contributions receivable	\$ 59,557	\$ -	\$ 59,557
Interest and dividends receivable	15,271	-	15,271
Investments			
Money market funds	393,251	-	393,251
U.S. Government and agencies	708,068	-	708,068
Mortgage backed securities	707,101	-	707,101
Corporate bonds	1,479,843	-	1,479,843
Corporate stocks	5,433,897	-	5,433,897
Mutual funds	-	823,396	823,396
Pooled investments	-	1,405,258	1,405,258
Total investments	<u>8,722,160</u>	<u>2,228,654</u>	<u>10,950,814</u>
TOTAL ASSETS	<u>8,796,988</u>	<u>2,228,654</u>	<u>11,025,642</u>
LIABILITIES			
Accounts payable	<u>10,672</u>	-	<u>10,672</u>
Total liabilities	<u>10,672</u>	-	<u>10,672</u>
NET POSITION			
Net position restricted for			
Pension benefits	<u>\$ 8,786,316</u>	<u>\$ 2,228,654</u>	<u>\$ 11,014,970</u>

CITY OF ARCADIA, FLORIDA

**COMBINING STATEMENT OF CHANGES FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Police Officers' and Firefighters' Retirement System</u>	<u>Employees' Retirement Plan</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 381,020	\$ 143,577	\$ 524,597
Plan members	48,565	30,416	78,981
Total contributions	<u>429,585</u>	<u>173,993</u>	<u>603,578</u>
Investment income			
Net increase (decrease) in fair value of investments	(30,094)	32,569	2,475
Realized gain on sale of investments	441,242	-	441,242
Interest and dividends	203,129	99,332	302,461
Total investment income	<u>614,277</u>	<u>131,901</u>	<u>746,178</u>
Less investment expenses	<u>58,606</u>	<u>32,791</u>	<u>91,397</u>
Net investment income	<u>555,671</u>	<u>99,110</u>	<u>654,781</u>
Total additions	<u>985,256</u>	<u>273,103</u>	<u>1,258,359</u>
DEDUCTIONS			
Benefits	483,766	146,834	630,600
Administrative expenses	32,798	2,735	35,533
Refund of contributions	31,054	-	31,054
Total deductions	<u>547,618</u>	<u>149,569</u>	<u>697,187</u>
Change in net position	437,638	123,534	561,172
Net position restricted for pension benefits			
Net position, beginning of year, as restated	<u>8,348,678</u>	<u>2,105,120</u>	<u>10,453,798</u>
Net position, end of year	<u>\$ 8,786,316</u>	<u>\$ 2,228,654</u>	<u>\$ 11,014,970</u>

OTHER INDEPENDENT AUDITOR REPORTS



CERTIFIED PUBLIC ACCOUNTANTS, LLC

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arcadia, Florida (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2015. Our report includes a reference to a change in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* as of October 1, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 *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. 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2014-001 and 2014-002 to be material weaknesses.

Compliance and Other Matters

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

City's Responses to Findings

The City's responses to the findings identified in our audit are reported in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Bradenton, Florida
September 30, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Arcadia, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2014. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City of Arcadia, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 30, 2015

CITY OF ARCADIA, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30 2014**

<u>Federal / State Agency, Pass-through Entity, Federal / State Program</u>	<u>CFDA/CSFA Number</u>	<u>Grant Identification Number</u>	<u>Expenditures</u>
Federal Awards:			
<u>U.S. Department of Housing and Urban Development</u>			
(Passed through Florida Department of Economic Opportunity)			
Community Development Block Grant	14.228	13DB-OI-07-24-02-N 22	\$ 29,628
Total U.S. Department of Housing and Urban Development			<u>29,628</u>
<u>U.S. Department of Justice</u>			
Direct			
Public Safety Partnership and Community Policing Grants (Passed through Florida Department of Law Enforcement)	16.710	2009RKWX0217	30,121
Justice Assistance Grant (Passed through Florida Office of the Attorney General)	16.738	2014-JAGC-DESO-2-E5-158	1,536
Victims of Crime Grant	16.575	V13008	37,964
Total U.S. Department of Justice			<u>69,621</u>
<u>U.S. Environmental Protection Agency</u>			
(Passed through the Florida Department of Environmental Protection)			
Capitalized Grants for Drinking Water State Revolving Funds	66.468	DW140100	819,738
Total U.S. Environmental Protection Agency			<u>819,738</u>
Total Expenditures of Federal Awards			<u>\$ 918,987</u>
State Awards:			
<u>State of Florida Department of Economic Opportunity</u>			
Growth Management Implementation	40.024	P0046	\$ 15,000
Total State of Florida Department of Economic Opportunity			<u>15,000</u>
<u>State of Florida Department of Transportation</u>			
Runway and Taxiway Lighting and Electrical Vault	55.004	433003-1-94-01 / AQU78	144,762
Pavement Conditioning and Marking	55.004	431372-1-94-01 / AQU32	648,022
Total State of Florida Department of Economic Opportunity			<u>792,784</u>
Total Expenditures of State Financial Assistance			<u>\$ 807,784</u>

CITY OF ARCADIA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

General

The accompanying Schedule of Expenditures of Federal and State Awards includes Federal grant activity of the City. The reporting entity of the City is disclosed in Note A of the notes to the basic financial statements. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other governmental entities, are included in this schedule.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Loans Outstanding

The City has \$4,534,913 in outstanding loans as of September 30, 2014, from the State Revolving Fund loan program.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

yes no

Significant deficiencies identified not considered
to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Programs and State Financial Assistance Projects

Internal Control over major federal or state programs:
Material weaknesses identified?

yes no

Significant deficiencies identified not considered
to be material weaknesses?

yes none reported

Type of auditor's report issued on compliance for
major Federal programs and state financial assistance
projects:

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)?

yes no

Identification of major federal program:

CFDA Number
66.468

Name of Federal Program or Cluster
Capitalized Grants for Drinking Water SRF

Identification of major state financial assistance projects:

CFDA Number
55.004

Name of State Project or Cluster
Aviation Development Grants

Dollar threshold used to distinguish between
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

2014-001 Cash & Accounts Receivable

Criteria: To ensure that financial statements properly present the financial position and results of operations of the City in accordance with generally accepted accounting principles (GAAP), in addition to providing meaningful financial reports to City Council and management, the City should reconcile the general ledger accounts for cash and accounts receivable to subsidiary ledgers and other supporting documentation on a monthly basis. The benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. Any reconciling differences should be corrected before the books are closed for the month-end.

Condition: Our audit procedures disclosed that the bank accounts and accounts receivables had not been reconciled to the general ledger. This resulted in discrepancies between the supporting documentation and the amounts reported in the general ledger. Thus, audit adjustments to cash and accounts receivable general ledger accounts were required during the course of our audit of the City's financial statements for the year ended September 30, 2014.

Context/Cause: Turnover in the Finance Department and the City Administrator position during the year ended September 30, 2014 contributed to various City cash and accounts receivable subsidiary ledgers not being properly maintained throughout the year. Additionally, there was a lack of management oversight over the financial reporting process.

Effect: Material audit adjustments were needed to be made within most all of the City's funds to cash and accounts receivable and the offsetting revenues / expenditures, where applicable for the fair presentation of the financial statements.

Recommendation: We recommend the City adopt procedures requiring monthly reconciliations of all balance sheet accounts to the subsidiary ledgers and other supporting documentation. In addition, we recommend all bank reconciliations be reviewed and approved by a secondary person with the appropriate knowledge and expertise. All entries should be recorded prior to commencement of the audit to facilitate the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management's Response: Management concurs with this finding. Staff is strengthening its procedures and practices to ensure that reconciliations and entries are done on a monthly basis. Management's goal is to set in place policies and procedures to include accounting, investment and debt management. It is imperative that all entries be recorded prior to commencement of the audit and staff is striving to make sure that is the case for the upcoming year and all years to follow. In June of 2015, the City hired a new City Administrator with many years of experience in city administration and a strong background in financial oversight. He is focused on making sure the Finance Department

CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

is running properly. He has made resources available to staff through other cities Finance Departments and other resources. He has made training a priority for the upcoming year.

2014-002 Accrued and Long-Term Liabilities

Criteria: To ensure that financial statements properly present the financial position and results of operations of the City in accordance with generally accepted accounting principles (GAAP), in addition to providing meaningful financial reports to City Council and management, the City should reconcile the general ledger accounts for accrued liabilities to subsidiary ledgers and other supporting documentation on a monthly basis. The benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. Any reconciling differences should be corrected before the books are closed for the month-end.

Condition: Our audit procedures disclosed that payroll benefit expenses/expenditures were being recorded to the accrued benefit expense accounts, instead of to the true expenditure/expense accounts. Additionally, recognition of capital lease liabilities were not recorded in the general ledger provided at the beginning of the audit. This resulted in audit adjustments to correctly state these balances in the City's financial statements for the year ended September 30, 2014.

Context/Cause: Turnover in the Finance Department and the City Administrator position during the year ended September 30, 2014 contributed to the various City liability accounts subsidiary ledgers to not being properly maintained throughout the year. Additionally, there was a lack of management oversight over the financial reporting process.

Effect: Material audit adjustments were needed to be made within most all of the City's funds to the various accrued liability accounts and to capital leases payable accounts for the fair presentation of the financial statements

Recommendation: We recommend the City adopt procedures requiring monthly reconciliations of all balance sheet accounts to the subsidiary ledgers and other supporting documentation. All entries should be recorded and all reconciliations should be reviewed prior to commencement of the audit to facilitate the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management's Response: Management concurs with this finding. In October of 2013, a major upgrade was completed in the City's financial software. During that time the former Finance Director changed many functions and reprogrammed account codes in an effort to automate many of the entries that were being done manually. During the 13-14 Audit it was discovered that there was an error in the payroll accounts payable programming and it affected the way the accrued liability ledgers, specifically for payroll benefits had been handled. Staff is in the process now of getting this corrected with MUNIS. Staff is being trained to know how to proof these reports and identify when there are errors. Reports will be analyzed and reviewed by management. Procedures are being implemented for management to periodically check to make sure the liability entries are hitting accounts correctly.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV
STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

None reported.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

**SECTION V
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Audit Finding Number	Title/Program	Brief Description	Status
2011-01, 2012-01 and 2013-05	Financial Condition Assessment	For numerous 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.	Condition has been corrected and is not a repeat finding.
2011-03, 2012-03 and 2013-03	Pensions	The City's pension contributions to the Employee Retirement Plan were in excess of the amounts required by the Plan.	Condition has been corrected and is not a repeat finding.
2011-05, 2012-05 and 2013-04	Budget	In the prior year audit, we noted that the City was not maintaining their budget for changes in operating activity, thus resulting in expenditures exceeding appropriations.	Condition has been corrected and is not a repeat finding.
2011-06, 2012-06 and 2013-01	Audit Adjustments	In the prior year, several adjustments and two prior period adjustments were made as a result of the audit resulting in a material weakness regarding the fairness of financial reporting.	Not Corrected. See Findings 2014-001 and 2014-002 in the Schedule of Findings and Questioned Costs.
2012-07 and 2013-01	Reconciliations	Supporting documentation for several balance sheet accounts did not agree with the general ledger at year-end.	Not Corrected. See Findings 2014-001 and 2014-002 in the Schedule of Findings and Questioned Costs.
12-08 and 2013-02	Bank Accounts	Three bank accounts administered by the police department were not being recorded and reported in the City's accounting system.	Condition has been corrected and is not a repeat finding.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Arcadia, Florida (the "City"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated September 30, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

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*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance required by OMB Circular A-133; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 30, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. See the Schedule of Findings and Questioned Costs Section V for the status of all prior year audit findings.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Arcadia, Florida was established in 1901 under the 1901 Laws of Florida, Chapter 5080. The City has no component units.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and Members of City Council, and applicable 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 30, 2015



INDEPENDENT AUDITOR'S REPORT

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

We have examined the City of Arcadia, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

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

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 30, 2015