

CITY OF ARCADIA, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2015

CITY OF ARCADIA, FLORIDA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements	
Balance Sheet–Governmental Funds	19
Statement of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Net Position– Proprietary Funds	23
Statement of Cash Flows–Proprietary Funds.....	24
Statement of Fiduciary Net Position–Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position–Fiduciary Funds.....	27
Notes to the Basic Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget (GAAP Basis) and Actual–General Fund.....	65
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget (GAAP Basis) and Actual–McSwain Park Fund	67
Schedule of Changes in Net Pension Liability and Related Ratios – Employees’ Retirement Plan	68
Schedule of Contributions – Employees’ Retirement Plan	69
Schedule of Pension Investment Returns – Employees’ Retirement Plan.....	70
Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers’ and Firefighters’ Retirement System.....	71
Schedule of Contributions – Police Officers’ and Firefighters’ Retirement System.....	72
Schedule of Pension Investment Returns – Police Officers’ and Firefighters’ Retirement System	73
Schedule of Funding Progress.....	74

CITY OF ARCADIA, FLORIDA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

COMBINING FUND FINANCIAL STATEMENTS

Nonmajor Governmental Funds

Combining Balance Sheet–Nonmajor Governmental Funds	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balance– Nonmajor Governmental Funds.....	77

Fiduciary Fund

Combining Statement of Fiduciary Net Position	78
Combining Statement of Changes in Fiduciary Net Position.....	79

OTHER INDEPENDENT AUDITOR’S REPORTS

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance With OMB Circular A-133.....	82
Schedule of Expenditures of Federal Awards	84
Notes to Schedule of Expenditures of Federal Awards	85
Schedule of Findings and Questioned Costs	86
Schedule of Prior Year Findings.....	90
Independent Auditor’s Management Letter	92
Independent Auditor’s Report – Investment Compliance	94



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, 2015, 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, 2015, 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 discussed in Note C, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City’s net pension liability and the related disclosures. Our opinions are 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 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 is also not a required part of the basic financial statements.

The combining fund financial statements and Schedule of Expenditures of Federal 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 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 June 27, 2016, 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
June 27, 2016

This page intentionally left blank.

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(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, 2015, by \$28,436,569 (net position). Of this amount, \$6,477,915 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2015, the City's governmental funds reported combined ending fund balances of \$5,595,746, for an increase of \$248,593 in comparison with the prior year. Of this amount, \$1,551,246 is available for spending at the City's discretion (unassigned fund balance).
- The City's total net position increased \$2,183,730. Net position for governmental activities increased \$962,295, while net position for business-type activities increased \$1,221,435.
- Total debt for the City decreased \$463,356 or 5.78% during the current fiscal year as a result of typical annual required principal payments.

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, 2015
(UNAUDITED)

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

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)

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, McSwain Park Fund, and Community Development Block Grant Fund which are considered major funds. Data from the other three (3) 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 2014-2015, 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.

CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(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 \$28,436,569 at the close of the most recent fiscal year.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)**

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

	Governmental Activities		Business-type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,890,098	\$ 5,707,326	\$ 5,922,054	\$ 4,711,551	\$ 11,812,152	\$ 10,418,877
Capital assets	5,505,324	4,915,482	21,521,595	21,905,998	27,026,919	26,821,480
Total assets	<u>11,395,422</u>	<u>10,622,808</u>	<u>27,443,649</u>	<u>26,617,549</u>	<u>38,839,071</u>	<u>37,240,357</u>
Deferred outflows of resources	<u>535,073</u>	<u>381,020</u>	<u>398,570</u>	<u>378,357</u>	<u>933,643</u>	<u>759,377</u>
Other liabilities	149,352	725,754	606,897	634,006	756,249	1,359,760
Long-term liabilities	<u>2,212,103</u>	<u>1,671,329</u>	<u>8,367,793</u>	<u>8,715,806</u>	<u>10,579,896</u>	<u>10,387,135</u>
Total liabilities	<u>2,361,455</u>	<u>2,397,083</u>	<u>8,974,690</u>	<u>9,349,812</u>	<u>11,336,145</u>	<u>11,746,895</u>
Net position:						
Net investment in capital assets	5,505,324	4,915,482	13,974,297	13,895,344	19,479,621	18,810,826
Restricted	1,695,513	1,738,235	783,520	768,520	2,479,033	2,506,755
Unrestricted	<u>2,368,203</u>	<u>1,953,028</u>	<u>4,109,712</u>	<u>2,982,230</u>	<u>6,477,915</u>	<u>4,935,258</u>
Total net position	<u>\$ 9,569,040</u>	<u>\$ 8,606,745</u>	<u>\$ 18,867,529</u>	<u>\$ 17,646,094</u>	<u>\$ 28,436,569</u>	<u>\$ 26,252,839</u>

By far, the largest portion of the City's net position (69%) 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, \$2,479,033, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$6,477,915, 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
SEPTEMBER 30, 2015
(UNAUDITED)

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.

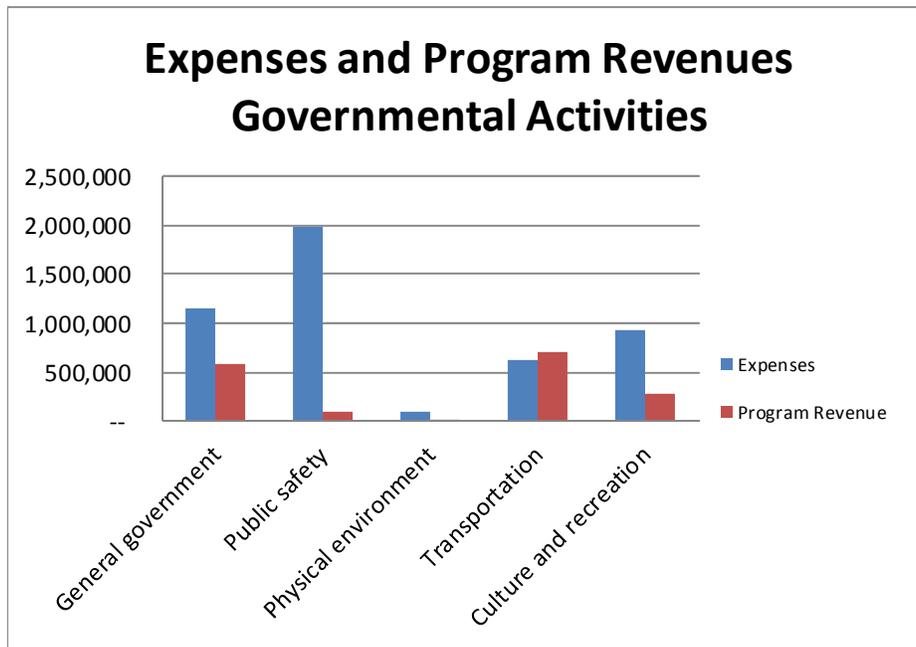
Reduction of Capital Assets through Depreciation – will reduce capital assets and the net investment in capital assets.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)**

**Table 2
City of Arcadia's
Changes in Net Position**

	City of Arcadia's Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues						
Charges for services	\$ 986,543	\$ 1,421,589	\$ 5,075,962	\$ 4,906,804	\$ 6,062,505	\$ 6,328,393
Capital grants	685,898	114,249	698,091	1,612,522	1,383,989	1,726,771
General revenues:						
Property taxes	1,519,742	1,479,227	-	-	1,519,742	1,479,227
Other taxes	1,547,837	1,530,478	-	-	1,547,837	1,530,478
Franchise fees	457,200	436,729	-	-	457,200	436,729
Intergovernmental	544,887	514,076	-	-	544,887	514,076
Other	12,381	10,829	14,640	85,896	27,021	96,725
Total revenues	<u>5,754,488</u>	<u>5,507,177</u>	<u>5,788,693</u>	<u>6,605,222</u>	<u>11,543,181</u>	<u>12,112,399</u>
Expenses:						
General government	1,156,176	1,045,522	-	-	1,156,176	1,045,522
Public safety	1,976,697	2,107,420	-	-	1,976,697	2,107,420
Physical environment	624,718	435,679	-	-	624,718	435,679
Transportation	931,241	811,126	-	-	931,241	811,126
Economic environment	103,361	110,438	-	-	103,361	110,438
Water and sewer	-	-	3,384,138	2,890,004	3,384,138	2,890,004
Airport	-	-	783,570	823,587	783,570	823,587
Solid Waste	-	-	399,550	251,999	399,550	251,999
Total expenses	<u>4,792,193</u>	<u>4,510,185</u>	<u>4,567,258</u>	<u>3,965,590</u>	<u>9,359,451</u>	<u>8,475,775</u>
Change in net position before transfers	<u>962,295</u>	<u>996,992</u>	<u>1,221,435</u>	<u>2,639,632</u>	<u>2,183,730</u>	<u>3,636,624</u>
Transfers	-	(173,213)	-	173,213	-	-
Change in net position	962,295	823,779	1,221,435	2,812,845	2,183,730	3,636,624
Net position, beginning, as restated	8,606,745	7,782,966	17,646,094	14,833,249	26,252,839	22,616,215
Net position, ending	<u>\$ 9,569,040</u>	<u>\$ 8,606,745</u>	<u>\$ 18,867,529</u>	<u>\$ 17,646,094</u>	<u>\$ 28,436,569</u>	<u>\$ 26,252,839</u>

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(UNAUDITED)**

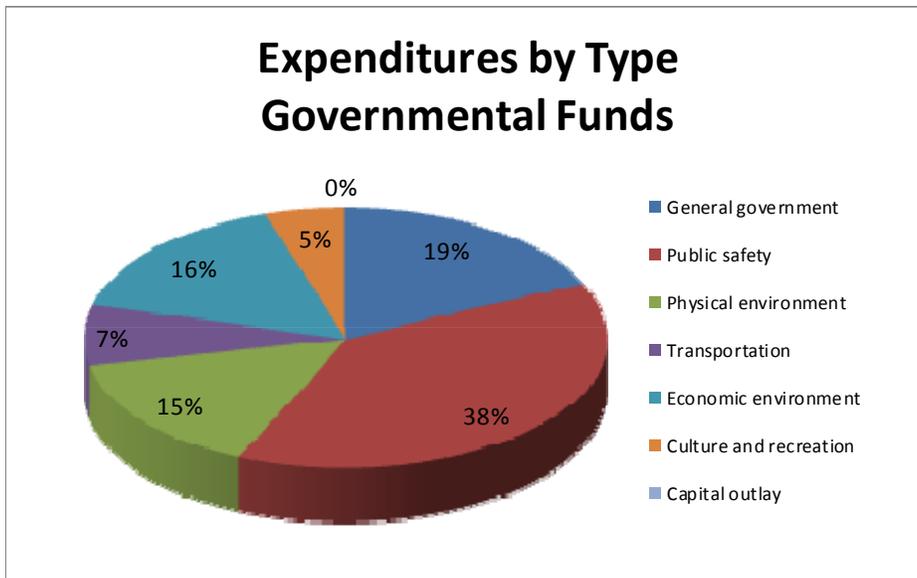
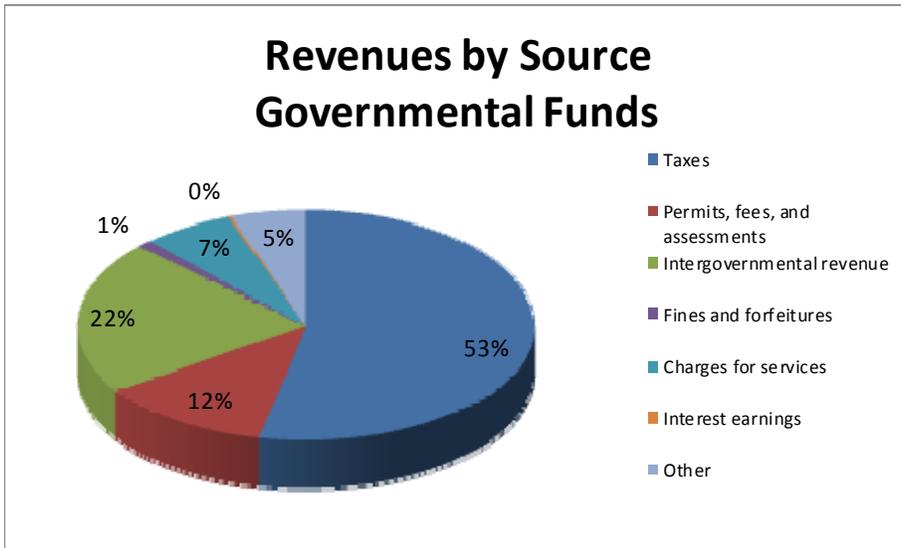


Financial Analysis of the City's Funds – As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$5,595,746, an increase of \$248,593 in comparison with the prior year. Approximately 28% of this total amount, \$1,551,246, 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 \$114,872.

Nonmajor governmental funds consisting of special revenue funds and capital project funds have a combined fund balance of \$3,583,136 of which all of it is restricted or assigned.

**CITY OF ARCADIA, FLORIDA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2015
 (UNAUDITED)**



CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(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 \$3,794,424; and the increase in total net position was \$1,270,269. The City increased water utility rates and late fees in November 2012, 2013, 2014 and 2015, in an effort to rebuild net position in this fund.

General Fund Budgetary Highlights – The City did amend the 2014-2015 budget during the year. Overall, General Fund expenditures were less than budgeted appropriations by \$332,840. 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, 2015, amount to \$27,026,919 (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	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,334,812	\$ 1,334,812	\$ 380,778	\$ 380,778	\$ 1,715,590	\$ 1,715,590
Construction in progress	108,770	-	9,498,844	8,926,677	9,607,614	8,926,677
Buildings	901,541	948,021	1,882,528	2,134,979	2,784,069	3,083,000
Improvements other than buildings	1,079,986	444,699	799,517	860,744	1,879,503	1,305,443
Infrastructure	1,934,053	2,031,368	8,193,104	8,606,395	10,127,157	10,637,763
Machinery and equipment	146,162	156,582	766,824	996,425	912,986	1,153,007
Total	\$ 5,505,324	\$ 4,915,482	\$ 21,521,595	\$ 21,905,998	\$ 27,026,919	\$ 26,821,480

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, 2015
(UNAUDITED)**

Long-term Debt – At the end of the 2015 fiscal year, the City had debt outstanding of \$7,547,298.

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

	Business-type Activities	
	2015	2014
Bonds payable	\$ 2,268,502	\$ 2,596,325
State Revolving Fund loan payable	4,638,238	4,534,913
Capital lease payable	640,558	879,416
	\$ 7,547,298	\$ 8,010,654

Debt balances increased for the State Revolving Fund loan payable which is being used for construction of the new water treatment plant. Bonds payable and capital leases payable decreased due to regularly scheduled amortization payments.

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 economic environment in the City of Arcadia is such that property values have remained generally stagnant, yet costs and the CPI have increased slightly. The City adopted a millage rate of 8.8195 which was the same millage rate adopted in fiscal year 2013-14. 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.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

CITY OF ARCADIA, FLORIDA

STATEMENT OF NET POSITION SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,155,481	\$ 4,295,808	\$ 9,451,289
Accounts receivable, net of allowances	289,473	501,320	790,793
Due from other governments	138,680	256,200	394,880
Internal balances	306,464	(306,464)	-
Restricted assets:			
Cash and cash equivalents	-	1,175,190	1,175,190
Capital assets:			
Nondepreciable	1,443,582	9,879,622	11,323,204
Depreciable, net	4,061,742	11,641,973	15,703,715
Total assets	11,395,422	27,443,649	38,839,071
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	535,073	83,273	618,346
Deferred charges on refundings	-	315,297	315,297
Total deferred outflows or resources	535,073	398,570	933,643
LIABILITIES			
Accounts payable	13,773	166,989	180,762
Accrued liabilities	135,579	78,411	213,990
Customer deposits payable	-	361,497	361,497
Other noncurrent liability - OPEB	513,293	216,122	729,415
Net pension liability	1,466,664	446,051	1,912,715
Capital leases due within one year	-	244,109	244,109
Capital leases due in more than one year	-	396,449	396,449
Notes payable due in more than one year	-	4,638,238	4,638,238
Bonds payable due within one year	-	345,000	345,000
Bonds payable due in more than one year	-	1,923,502	1,923,502
Compensated absences due within one year	80,970	44,010	124,980
Compensated absences due in more than one year	151,176	114,312	265,488
Total liabilities	2,361,455	8,974,690	11,336,145
NET POSITION			
Net investment in capital assets	5,505,324	13,974,297	19,479,621
Restricted for debt service	-	783,520	783,520
Restricted for capital projects	1,695,513	-	1,695,513
Unrestricted	2,368,203	4,109,712	6,477,915
Total net position	\$ 9,569,040	\$ 18,867,529	\$ 28,436,569

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, 2015**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,156,176	\$ 577,175	\$ -	\$ -	\$ (579,001)	\$ -	\$ (579,001)
Public safety	1,976,697	59,838	-	41,206	(1,875,653)	-	(1,875,653)
Physical environment	103,361	2,363	-	-	(100,998)	-	(100,998)
Transportation	624,718	66,613	-	644,692	86,587	-	86,587
Culture and recreation	931,241	280,554	-	-	(650,687)	-	(650,687)
Total governmental activities	4,792,193	986,543	-	685,898	(3,119,752)	-	(3,119,752)
Business-type activities:							
Water and sewer	3,384,138	4,201,071	-	439,655	-	1,256,588	1,256,588
Solid Waste	783,570	805,350	-	-	-	21,780	21,780
Airport	399,550	69,541	-	258,436	-	(71,573)	(71,573)
Total business-type activities	4,567,258	5,075,962	-	698,091	-	1,206,795	1,206,795
Total primary government	\$ 9,359,451	\$ 6,062,505	\$ -	\$ 1,383,989	(3,119,752)	1,206,795	(1,912,957)
General revenues:							
Property taxes					1,519,742	-	1,519,742
Local option gas tax					266,658	-	266,658
Infrastructure tax					496,023	-	496,023
Public service taxes					520,798	-	520,798
Communications services taxes					216,067	-	216,067
Business license taxes					48,291	-	48,291
Franchise fees					457,200	-	457,200
Intergovernmental, unrestricted					544,887	-	544,887
Unrestricted investment earnings					12,381	14,640	27,021
Total general revenues					4,082,047	14,640	4,096,687
Change in net position					962,295	1,221,435	2,183,730
Net position, beginning of year, as restated					8,606,745	17,646,094	26,252,839
Net position, end of year					\$ 9,569,040	\$ 18,867,529	\$ 28,436,569

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

CITY OF ARCADIA, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General</u>	<u>McSwain Park</u>	<u>CDBG</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,162,180	\$ 461,364	\$ 1,800	\$ 3,530,137	\$ 5,155,481
Accounts receivable, net	289,473	-	-	-	289,473
Due from other governments	85,681	-	-	52,999	138,680
Due from other funds	317,799	-	-	-	317,799
Total assets	<u>\$ 1,855,133</u>	<u>\$ 461,364</u>	<u>\$ 1,800</u>	<u>\$ 3,583,136</u>	<u>\$ 5,901,433</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 13,773	\$ -	\$ -	\$ -	\$ 13,773
Accrued liabilities	135,579	-	-	-	135,579
Due to other funds	9,535	-	1,800	-	11,335
Total liabilities	<u>158,887</u>	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>160,687</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>-</u>	<u>145,000</u>
FUND BALANCES					
Restricted for:					
Transportation	-	-	-	1,234,149	1,234,149
Parks and recreation	-	461,364	-	-	461,364
Assigned for:					
Special projects	-	-	-	1,161,282	1,161,282
Capital projects	-	-	-	1,187,705	1,187,705
Unassigned	1,551,246	-	-	-	1,551,246
Total fund balances	<u>1,551,246</u>	<u>461,364</u>	<u>-</u>	<u>3,583,136</u>	<u>5,595,746</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,855,133</u>	<u>\$ 461,364</u>	<u>\$ 1,800</u>	<u>\$ 3,583,136</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	\$ 11,417,645	
Less accumulated depreciation	<u>(5,912,321)</u>	5,505,324

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 145,000

Deferred outflows and the net pension liability related to the City's pension plans are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.

Deferred outflows - pensions	535,073	
Net pension liability	<u>(1,466,664)</u>	(931,591)

Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.

Compensated absences	(232,146)	
Other post-employment benefits	<u>(513,293)</u>	(745,439)

Net position of governmental activities \$ 9,569,040

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, 2015**

	<u>General</u>	<u>McSwain Park</u>	<u>CDBG</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
REVENUES					
Taxes	\$ 2,571,557	\$ -	\$ -	\$ 496,023	\$ 3,067,580
Charges for services	374,052	-	-	-	374,052
Permits, fees and assessments	707,746	-	-	-	707,746
Intergovernmental	586,093	-	644,692	-	1,230,785
Fines and forfeitures	59,838	-	-	-	59,838
Interest revenue	2,610	-	-	9,771	12,381
Other revenues	302,106	-	-	-	302,106
Total revenues	<u>4,604,002</u>	<u>-</u>	<u>644,692</u>	<u>505,794</u>	<u>5,754,488</u>
EXPENDITURES					
Current:					
General government	1,008,736	-	-	-	1,008,736
Public safety	2,109,132	-	-	-	2,109,132
Economic environment	55,043	-	778,858	-	833,901
Transportation	396,529	-	-	-	396,529
Parks and recreation	799,482	83,362	-	-	882,844
Capital outlay	9,024	-	-	265,729	274,753
Total expenditures	<u>4,377,946</u>	<u>83,362</u>	<u>778,858</u>	<u>265,729</u>	<u>5,505,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>226,056</u>	<u>(83,362)</u>	<u>(134,166)</u>	<u>240,065</u>	<u>248,593</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	15,408	44,726	126,592	-	186,726
Transfers out	<u>(126,592)</u>	<u>-</u>	<u>-</u>	<u>(60,134)</u>	<u>(186,726)</u>
Total other financing sources (uses)	<u>(111,184)</u>	<u>44,726</u>	<u>126,592</u>	<u>(60,134)</u>	<u>-</u>
Net change in fund balances	114,872	(38,636)	(7,574)	179,931	248,593
Fund balances, beginning of year	<u>1,436,374</u>	<u>500,000</u>	<u>7,574</u>	<u>3,403,205</u>	<u>5,347,153</u>
Fund balances, end of year	<u>\$ 1,551,246</u>	<u>\$ 461,364</u>	<u>\$ -</u>	<u>\$ 3,583,136</u>	<u>\$ 5,595,746</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, 2015**

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

Net change in fund balances - total governmental funds	\$	248,593
--	----	---------

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.

Capital outlay expenditures	\$	892,060	
Less current year depreciation expense		<u>(302,218)</u>	589,842

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.

Pension expense	\$	174,263	
Change in OPEB liability		(2,712)	
Change in compensated absences		<u>(47,691)</u>	<u>123,860</u>
			<u>\$</u> <u>962,295</u>

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

CITY OF ARCADIA, FLORIDA

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2015**

	<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	\$ 3,938,091	\$ 344,658	\$ 13,059	\$ 4,295,808
Restricted cash and cash equivalents:				
2003 refunding bonds, sinking fund	376,173	-	-	376,173
Customer deposits	360,497	-	-	360,497
Accounts receivable, net of allowances	434,278	67,042	-	501,320
Due from other governments	-	-	256,200	256,200
Due from other funds	1,593	-	9,535	11,128
Total current assets	<u>5,110,632</u>	<u>411,700</u>	<u>278,794</u>	<u>5,801,126</u>
NONCURRENT ASSETS				
Restricted assets, cash - 2003 refunding bonds, reserve funds	438,520	-	-	438,520
Capital assets:				
Nondepreciable	9,645,967	-	233,655	9,879,622
Depreciable, net of accumulated depreciation	9,742,746	326,995	1,572,232	11,641,973
Total noncurrent assets	<u>19,827,233</u>	<u>326,995</u>	<u>1,805,887</u>	<u>21,960,115</u>
Total assets	<u>24,937,865</u>	<u>738,695</u>	<u>2,084,681</u>	<u>27,761,241</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	75,412	7,861	-	83,273
Deferred charges on refundings	315,297	-	-	315,297
Total deferred outflows of resources	<u>390,709</u>	<u>7,861</u>	<u>-</u>	<u>398,570</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	133,905	26,303	3,862	164,070
Accrued liabilities	33,445	9,336	-	42,781
Accrued interest	-	4,457	-	4,457
Retainage payable	2,919	-	-	2,919
Current portion - compensated absences	39,609	4,401	-	44,010
Current portion - capital leases payable	176,629	67,480	-	244,109
Due to other funds	100,946	88,129	128,517	317,592
Payable from restricted assets:				
Customer deposits	360,497	-	1,000	361,497
Accrued interest	31,173	-	-	31,173
Bonds payable, current portion	345,000	-	-	345,000
Total current liabilities	<u>1,224,123</u>	<u>200,106</u>	<u>133,379</u>	<u>1,557,608</u>
NONCURRENT LIABILITIES				
Compensated absences, net of current portion	102,391	11,921	-	114,312
Revenue bonds payable, net of current portion	1,923,502	-	-	1,923,502
Capital leases payable, net of current portion	180,986	215,463	-	396,449
Notes payable, net of current portion	4,638,238	-	-	4,638,238
Net pension liability	403,946	42,105	-	446,051
Net OPEB liability	153,086	63,036	-	216,122
Total noncurrent liabilities	<u>7,402,149</u>	<u>332,525</u>	<u>-</u>	<u>7,734,674</u>
Total liabilities	<u>8,626,272</u>	<u>532,631</u>	<u>133,379</u>	<u>9,292,282</u>
NET POSITION				
Net investment in capital assets	12,124,358	44,052	1,805,887	13,974,297
Restricted for debt service	783,520	-	-	783,520
Unrestricted	3,794,424	169,873	145,415	4,109,712
Total net position	<u>\$ 16,702,302</u>	<u>\$ 213,925</u>	<u>\$ 1,951,302</u>	<u>\$ 18,867,529</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, 2015**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund (Nonmajor)	Totals
OPERATING REVENUES				
Charges for services	\$ 3,999,978	\$ 805,350	\$ 67,566	\$ 4,872,894
Tap and capacity recovery fees	44,012	-	-	44,012
Other services	157,081	-	1,975	159,056
Total operating revenues	<u>4,201,071</u>	<u>805,350</u>	<u>69,541</u>	<u>5,075,962</u>
OPERATING EXPENSES				
Personal services	978,034	264,756	-	1,242,790
Operating expenses	1,475,714	383,770	306,351	2,165,835
Depreciation	753,380	125,101	93,199	971,680
Total operating expenses	<u>3,207,128</u>	<u>773,627</u>	<u>399,550</u>	<u>4,380,305</u>
Operating income (loss)	<u>993,943</u>	<u>31,723</u>	<u>(330,009)</u>	<u>695,657</u>
NONOPERATING INCOME (EXPENSES)				
Intergovernmental	-	-	258,436	258,436
Interest income	13,681	959	-	14,640
Interest expense	(177,010)	(9,943)	-	(186,953)
Total nonoperating income (expenses)	<u>(163,329)</u>	<u>(8,984)</u>	<u>258,436</u>	<u>86,123</u>
Income (loss) before contributions	830,614	22,739	(71,573)	781,780
CAPITAL CONTRIBUTIONS				
	<u>439,655</u>	<u>-</u>	<u>-</u>	<u>439,655</u>
Change in net position	1,270,269	22,739	(71,573)	1,221,435
NET POSITION, beginning of year, as restated	<u>15,432,033</u>	<u>191,186</u>	<u>2,022,875</u>	<u>17,646,094</u>
NET POSITION, end of year	<u>\$ 16,702,302</u>	<u>\$ 213,925</u>	<u>\$ 1,951,302</u>	<u>\$ 18,867,529</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, 2015**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund (Nonmajor)	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 4,360,041	\$ 826,149	\$ (51,171)	\$ 5,135,019
Payments to suppliers	(1,506,304)	(381,368)	(302,489)	(2,190,161)
Payments to employees	(953,639)	(255,709)	-	(1,209,348)
Net cash provided by (used in) operating activities	<u>1,900,098</u>	<u>189,072</u>	<u>(353,660)</u>	<u>1,735,510</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental grant	-	-	258,436	258,436
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>258,436</u>	<u>258,436</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(483,952)	-	-	(483,952)
Principal paid on bonds	(330,000)	-	-	(330,000)
Principal paid on notes payable and capital leases	(173,438)	(65,420)	-	(238,858)
Capital contributions	439,655	-	-	439,655
Interest paid	(115,898)	(10,973)	-	(126,871)
Net cash used in capital and related financing activities	<u>(663,633)</u>	<u>(76,393)</u>	<u>-</u>	<u>(740,026)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	13,681	959	-	14,640
Net cash provided by investing activities	<u>13,681</u>	<u>959</u>	<u>-</u>	<u>14,640</u>
Change in cash and cash equivalents	<u>1,250,146</u>	<u>113,638</u>	<u>(95,224)</u>	<u>1,268,560</u>
Cash and cash equivalents:				
Beginning of year	<u>3,863,135</u>	<u>231,020</u>	<u>108,283</u>	<u>4,202,438</u>
End of year	<u>\$ 5,113,281</u>	<u>\$ 344,658</u>	<u>\$ 13,059</u>	<u>\$ 5,470,998</u>
Classified as:				
Cash and cash equivalents	\$ 3,938,091	\$ 344,658	\$ 13,059	\$ 4,295,808
Restricted cash and cash equivalents, sinking fund	376,173	-	-	376,173
Restricted cash and cash equivalents, customer deposits	360,497	-	-	360,497
Restricted cash, reserve funds	438,520	-	-	438,520
	<u>\$ 5,113,281</u>	<u>\$ 344,658</u>	<u>\$ 13,059</u>	<u>\$ 5,470,998</u>

(Continued)

CITY OF ARCADIA, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund (Nonmajor)	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 993,943	\$ 31,723	\$ (330,009)	\$ 695,657
Adjustments to reconcile operating income (loss) to net cash provided (used in) by operating activities:				
Depreciation	753,380	125,101	93,199	971,680
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(52,115)	18,648	4,854	(28,613)
(Increase) decrease in due from other governments	186,002	-	(253,545)	(67,543)
Decrease in due from other funds	-	2,151	55	2,206
(Increase) in deferred outflows - pensions	(75,412)	(7,861)	-	(83,273)
Increase (decrease) in accounts payable	(113,822)	2,402	3,862	(107,558)
Increase in accrued liabilities	42,876	10,641	-	53,517
Increase in customer deposits	82,424	-	1,000	83,424
Increase in net pension liability	56,931	5,934	-	62,865
Increase in OPEB	808	333	-	1,141
Increase in due to other funds	25,083	-	126,924	152,007
Net cash provided by (used in) operating activities	<u>\$ 1,900,098</u>	<u>\$ 189,072</u>	<u>\$ (353,660)</u>	<u>\$ 1,735,510</u>
Noncash investing, capital, and financing activities:				
Capitalized interest	\$ 103,325	\$ -	\$ -	\$ 103,325
Net noncash investing, capital, and financing activities	<u>\$ 103,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,325</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, 2015

	Pension Trust Funds
ASSETS	
Contributions receivable	\$ 96,763
Interest and dividends receivable	18,676
Investments	
Money market funds	181,480
U.S. Government and agencies	1,214,296
Mortgage backed securities	884,176
Corporate bonds	1,430,656
Corporate stocks	4,881,951
Immediate participation guarantee contracts	893,762
Pooled investments	1,350,610
Total investments	<u>10,836,931</u>
Total assets	<u>10,952,370</u>
LIABILITIES	
Accounts payable	<u>10,674</u>
Total liabilities	<u>10,674</u>
NET POSITION	
Net position restricted for Pension benefits	<u><u>\$ 10,941,696</u></u>

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

CITY OF ARCADIA, FLORIDA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Pension Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 436,982
Plan members	99,023
State of Florida	202,172
Total contributions	738,177
Investment income	
Net increase (decrease) in fair value of investments	(1,281,542)
Realized gain on sale of investments	950,422
Interest and dividends	360,439
Total investment income	29,319
Less investment expenses	116,987
Net investment income	(87,668)
Total additions	650,509
DEDUCTIONS	
Benefits	664,412
Administrative expenses	43,558
Refund of contributions	15,813
Total deductions	723,783
Change in net position	(73,274)
Net position restricted for pension benefits	
Net position, beginning of year, as restated	11,014,970
Net position, end of year	\$ 10,941,696

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

This page intentionally left blank.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. The Financial Reporting Entity

The City began as a small ranching and farming settlement on the bluff overlooking the Peace River in 1883. The City was first chartered in 1886 and became the County Seat of DeSoto County in 1888. It was granted its present Charter in 1901, established under the 1901 Laws of Florida, Chapter 5080. It is located in Central Florida near the intersection of U.S. Highway 17 and State Road 70, and is comprised of approximately 4.1 square miles with a population of approximately 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 *CDBG Fund* is used to account for the receipt, custody and expenditure of Community Development Block Grant funds.

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 except for immediate participation guarantee contracts (IPG). 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 estimated fair value of IPG investments are based on valuations provided by external investment managers. Management believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because the IPG investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed..

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.

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)

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, 2015.

(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, 2015, was \$784,319 in the Water and Sewer Fund and \$123,568 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 \$103,325 was capitalized for fiscal year ending September 30, 2015.

(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 deferred charges on refunding debt qualifies for reporting in this category.

The City has deferred inflows and deferred outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service life of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. The changes in proportion and differences between City contributions and proportionate share of contributions are also deferred and amortized against pension expense over a five year period.

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)

(e) Deferred Outflows/Inflows of Resources (Continued)

Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

In addition to the above pension related deferred inflows, the City also has one other type of these items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from certain charges for services and fines and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

(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.

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

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.

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.

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

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.

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

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)

(i) Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plans and additions to/deductions from these plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Accounting Estimates

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted for the General Fund, 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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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, 2015, the following departments reported expenditures in excess of budget appropriations in the General Fund:

Law enforcement	18,270
Cemetery	2,880
Roads and streets	2,728
Golf Course	1,341

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.

NOTE C – CHANGE IN ACCOUNTING PRINCIPLE

The City has determined that a restatement to the October 1, 2014, beginning net position was required to recognize the change in accounting principle for implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of October 1, 2014, through which accounting for pension plans and the related disclosure requirements were modified. This adjustment resulted in a change to the beginning net position of the City as follows:

Beginning net position, Governmental Activities, previously reported	\$	9,701,029
Implementation of GASB 68		(1,094,284)
Beginning net position, Governmental Activities, as restated	\$	<u>8,606,745</u>

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE C – CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

Beginning net position, Business-type Activities, previously reported	\$	18,029,280
Implementation of GASB 68		(383,186)
Beginning net position, Business-type Activities, as restated	\$	<u>17,646,094</u>
Beginning net position, Water and Sewer Fund, previously reported	\$	15,779,048
Implementation of GASB 68		(347,015)
Beginning net position, Water and Sewer Fund, as restated	\$	<u>15,432,033</u>
Beginning net position, Solid Waste Fund, previously reported	\$	227,357
Implementation of GASB 68		(36,171)
Beginning net position, Solid Waste Fund, as restated	\$	<u>191,186</u>

NOTE D – DEPOSITS AND INVESTMENTS

As of September 30, 2015, the City had the following investments and maturities, which were all held in the pension trust funds:

Investment	Rating	Fair Value	Investment Maturities (in Years)				
			No Fixed Maturity	Less than 1 year	1-5 years	6-10 years	More than 10 years
Money market funds	NR	\$ 181,480	\$ -	\$ 181,480	\$ -	\$ -	\$ -
U.S. government and agencies	Aaa	1,214,296	-	90,100	557,084	567,112	-
Mortgage backed securities	NR	884,176	-	-	-	-	884,176
Corporate bonds	A1-Baa3	1,430,656	-	-	1,279,791	150,865	-
Corporate stocks	NR	4,881,951	4,881,951	-	-	-	-
IPG contracts	NR	893,762	893,762	-	-	-	-
Pooled investments	NR	1,350,610	1,350,610	-	-	-	-
Total		<u>\$ 10,836,931</u>	<u>\$ 7,126,323</u>	<u>\$ 271,580</u>	<u>\$ 1,836,875</u>	<u>\$ 717,977</u>	<u>\$ 884,176</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 \$428,608 is reported at amortized cost and has a weighted average of 29 days to maturity as of September 30, 2015. 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, 2015:

	<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
Construction in progress	-	108,770	-	-	108,770
Total capital assets, not being depreciated	<u>1,334,812</u>	<u>108,770</u>	<u>-</u>	<u>-</u>	<u>1,443,582</u>
Capital assets, being depreciated:					
Buildings	1,811,273	-	-	-	1,811,273
Improvements other than buildings	1,521,850	738,222	-	-	2,260,072
Infrastructure	3,930,738	-	-	-	3,930,738
Furniture, fixtures and equipment	1,926,912	45,068	-	-	1,971,980
Total capital assets, being depreciated	<u>9,190,773</u>	<u>783,290</u>	<u>-</u>	<u>-</u>	<u>9,974,063</u>
Less accumulated depreciation for:					
Buildings	(863,252)	(46,480)	-	-	(909,732)
Improvements other than buildings	(1,077,151)	(102,935)	-	-	(1,180,086)
Infrastructure	(1,899,370)	(97,315)	-	-	(1,996,685)
Furniture, fixtures and equipment	(1,770,330)	(55,488)	-	-	(1,825,818)
Total accumulated depreciation	<u>(5,610,103)</u>	<u>(302,218)</u>	<u>-</u>	<u>-</u>	<u>(5,912,321)</u>
Total capital assets, being depreciated, net	<u>3,580,670</u>	<u>481,072</u>	<u>-</u>	<u>-</u>	<u>4,061,742</u>
Governmental activities capital assets, net	<u>\$ 4,915,482</u>	<u>\$ 589,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,505,324</u>

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

Governmental activities:	
General government	\$ 132,489
Public safety	26,172
Public works	101,331
Physical environment	9,615
Culture and recreation	32,611
Total depreciation expense - governmental activities	<u>\$ 302,218</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, 2015:

	<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	8,926,677	572,167	-	-	9,498,844
Total capital assets, not being depreciated	<u>9,307,455</u>	<u>572,167</u>	<u>-</u>	<u>-</u>	<u>9,879,622</u>
Capital assets, being depreciated:					
Buildings	9,489,325	-	-	-	9,489,325
Improvements other than buildings	1,840,692	-	-	-	1,840,692
Infrastructure	16,956,064	-	-	-	16,956,064
Furniture, fixtures and equipment	4,694,087	15,110	-	-	4,709,197
Total capital assets, being depreciated	<u>32,980,168</u>	<u>15,110</u>	<u>-</u>	<u>-</u>	<u>32,995,278</u>
Less accumulated depreciation for:					
Buildings	(7,354,346)	(252,451)	-	-	(7,606,797)
Improvements other than buildings	(979,948)	(61,227)	-	-	(1,041,175)
Infrastructure	(8,349,669)	(413,291)	-	-	(8,762,960)
Furniture, fixtures and equipment	(3,697,662)	(244,711)	-	-	(3,942,373)
Total accumulated depreciation	<u>(20,381,625)</u>	<u>(971,680)</u>	<u>-</u>	<u>-</u>	<u>(21,353,305)</u>
Total capital assets, being depreciated, net	<u>12,598,543</u>	<u>(956,570)</u>	<u>-</u>	<u>-</u>	<u>11,641,973</u>
Business-type activities capital assets, net	<u>\$ 21,905,998</u>	<u>\$ (384,403)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,521,595</u>

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

Business-type activities:	
Water and sewer	\$ 753,380
Solid waste	125,101
Airport	93,199
Total depreciation expense - business-type activities	<u>\$ 971,680</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, 2015, 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:					
Compensated absences	\$ 184,455	\$ 127,076	\$ (79,385)	\$ 232,146	\$ 80,970
Other post-employment benefits	510,581	103,109	(100,397)	513,293	-
Net pension liability	<u>1,486,874</u>	<u>1,095,653</u>	<u>(1,115,863)</u>	<u>1,466,664</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 2,181,910</u>	<u>\$ 1,325,838</u>	<u>\$ (1,295,645)</u>	<u>\$ 2,212,103</u>	<u>\$ 80,970</u>

Long-term liabilities of the governmental activities, which include 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, 2015, consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
2003 Refunding bonds	\$ 2,605,000	\$ -	\$ (330,000)	\$ 2,275,000	\$ 345,000
Less bond discount	(8,675)	-	2,177	(6,498)	-
Total bonds payable	<u>2,596,325</u>	<u>-</u>	<u>(327,823)</u>	<u>2,268,502</u>	<u>345,000</u>
State Revolving Fund loan	4,534,913	103,325	-	4,638,238	-
Capital lease payable	879,416	-	(238,858)	640,558	244,109
Compensated absences	106,985	94,485	(43,148)	158,322	44,010
Other post-employment benefits	214,981	32,561	(31,420)	216,122	-
Net pension liability	<u>383,186</u>	<u>178,362</u>	<u>(115,497)</u>	<u>446,051</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$ 8,715,806</u>	<u>\$ 408,733</u>	<u>\$ (756,746)</u>	<u>\$ 8,367,793</u>	<u>\$ 633,119</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, 2015, 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.

\$ 2,275,000

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, 2015. 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.

4,638,238

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 2015 at 3.20% through October 2019 for the vacuum truck.

640,558

\$ 7,553,796

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, 2015, are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	400,000	26,770	426,770
2021	420,000	9,135	429,135
	<u>\$ 2,275,000</u>	<u>\$ 297,554</u>	<u>\$ 2,572,554</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	(308,377)	(104,509)
	<u>\$ 1,137,919</u>	<u>\$ 243,853</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, 2015, were as follows:

Year Ending September 30,	Water and Sewer Fund	Solid Waste Fund
2016	\$ 187,028	\$ 76,393
2017	57,528	76,393
2018	45,756	76,393
2019	45,756	76,393
2020	45,756	-
Total minimum lease payments	381,824	305,572
Less amount representing interest	(24,211)	(22,627)
Present value of minimum lease payments	\$ 357,613	\$ 282,945

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, 2015, 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, 2015, is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>					<u>Totals</u>
	<u>General Fund</u>	<u>CDBG Fund</u>	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Airport Fund</u>	
General Fund	\$ -	\$ 1,800	\$ 100,946	\$ 88,129	\$ 126,924	\$ 317,799
Water and Sewer	-	-	-	-	1,593	1,593
Airport Fund	9,535	-	-	-	-	9,535
	<u>\$ 9,535</u>	<u>\$ 1,800</u>	<u>\$ 100,946</u>	<u>\$ 88,129</u>	<u>\$ 128,517</u>	<u>\$ 328,927</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, 2015, 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, 2015, the City had the following commitment:

	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance</u>
McSwain Park			
Crowley Services	\$ 544,726	\$ 92,625	\$ 452,101
	<u>\$ 544,726</u>	<u>\$ 92,625</u>	<u>\$ 452,101</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	\$ 96,763	\$ -	\$ 96,763
Interest and dividends receivable	18,676	-	18,676
Investments	8,592,559	2,244,372	10,836,931
TOTAL ASSETS	8,707,998	2,244,372	10,952,370
LIABILITIES			
Accounts payable	10,674	-	10,674
NET POSITION			
Net position restricted for pension benefits	\$ 8,697,324	\$ 2,244,372	\$ 10,941,696

Statement of Changes in Fiduciary Net Position

ADDITIONS			
Contributions			
Employer	\$ 238,735	\$ 198,247	\$ 436,982
Plan member	52,059	46,964	99,023
State of Florida	202,172	-	202,172
Total contributions	492,966	245,211	738,177
Investment income			
Net increase (decrease) in fair value of investments	(1,211,748)	(69,794)	(1,281,542)
Realized gain on sale of investments	950,422	-	950,422
Interest and dividends	289,752	70,687	360,439
Total investment income	28,426	893	29,319
Less investment expenses	52,052	64,935	116,987
Net investment income	(23,626)	(64,042)	(87,668)
Total additions	469,340	181,169	650,509
DEDUCTIONS			
Benefits	501,609	162,803	664,412
Administrative expenses	40,910	2,648	43,558
Refund of contributions	15,813	-	15,813
Total deductions	558,332	165,451	723,783
Change in net position	(88,992)	15,718	(73,274)
Net position restricted for pension benefits			
Net position, beginning of year	8,786,316	2,228,654	11,014,970
Net position, end of year	\$ 8,697,324	\$ 2,244,372	\$ 10,941,696

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	<u>26</u>
Total	<u>57</u>

The vesting schedule is as follows:

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

<u>Age</u>	<u>Years of Service</u>	<u>Vesting %</u>
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, 2014, the City's Employees' Retirement Plan implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, 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 measurement date for the City's net pension liability is September 30, 2015. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2015, were as follows:

Total pension liability	\$ 3,194,834
Plan fiduciary net position	(2,244,372)
City's net pension liability	<u>\$ 950,462</u>
Plan fiduciary net position as a percentage of total pension liability	70.25%

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

For the year ended September 30, 2015, the City recognized pension expense of \$309,711 for the plan. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 53,481	\$ -
Differences between expected and actual investment earnings	123,958	-
Total	<u><u>\$ 177,439</u></u>	<u><u>\$ -</u></u>

The deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Year ended September 30,			
2016		\$	35,488
2017			35,488
2018			35,488
2019			35,488
2020			35,487
Total		<u><u>\$</u></u>	<u><u>177,439</u></u>

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.

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, 2015, 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%

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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, 2015, are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
US Equity - Large Cap	8.11%
US Equity - Small/Mid Cap	8.11%
Non-US Equity - Developed	7.37%
US Corporate Bonds - Core	5.54%
US Treasuries (Cash Equivalents)	3.64%

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.

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	\$ 1,287,571	\$ 950,462	\$ 554,062

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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, 2015, and the current sharing pattern of costs between employer and employee.

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, 2015
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	2015 IRS Small Plan Combined Static Mortality Table

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, 2015, there were no remaining former paid firefighters contributing to the Plan.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

At September 30, 2015, membership consisted of:

Retirees, disabled participants and beneficiaries currently receiving benefits, terminated employees not yet receiving benefits and DROP participants	29
Active employees	<u>14</u>
Total	<u>43</u>

Benefits

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

Retirement:

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

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

Disability:

Service incurred 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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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, 2015 is \$856,075.

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, 2015, 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, 2015, were \$0.

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, 2015, 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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Plan Disclosures

Effective October 1, 2014, the City’s Employees’ Retirement Plan implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, 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 measurement date for the City’s net pension liability is September 30, 2014. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2015, were as follows:

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

For the year ended September 30, 2015, the City recognized pension expense of \$289,719 for the plan. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City pension plan contributions subsequent to the measurement date	\$ 440,907	\$ -
Total	<u>\$ 440,907</u>	<u>\$ -</u>

The deferred outflows of resources related to the Pension Plan, totaling \$440,907 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016.

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, 2015, 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, 2015, 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, 2015, and the current sharing pattern of costs between employer and employee.

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

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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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.

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>
9/30/13	\$ 122,949	\$ 108,646	88%	\$ 719,206
9/30/14	128,928	122,572	95%	725,562
9/30/15	135,670	131,817	97%	729,415

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

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

	2015	2014	2013
Normal Cost	\$ 25,109	\$ 23,913	\$ 22,774
Amortization of unfunded actuarial accrued liability	154,095	148,168	142,469
Annual required contribution	179,204	172,081	165,243
Interest on net OPEB obligation	29,022	28,768	28,196
Adjustments to annual required contribution	(72,556)	(71,921)	(70,490)
Annual OPEB cost	135,670	128,928	122,949
Contributions made	131,817	122,572	108,646
Increase in net OPEB obligation	3,853	6,356	14,303
Net OPEB obligation, beginning of year	725,562	719,206	704,903
Net OPEB obligation, end of year	<u>\$ 729,415</u>	<u>\$ 725,562</u>	<u>\$ 719,206</u>

Funded Status and Funding Progress—As of September 30, 2013, 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.

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.

CITY OF ARCADIA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 2015 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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 2,432,067	\$ 2,432,067	\$ 2,571,557	\$ 139,490
Charges for services	492,502	502,502	374,052	(128,450)
Permits, fees and assessments	648,000	648,000	707,746	59,746
Intergovernmental	578,024	565,026	586,093	21,067
Fines and forfeitures	41,500	41,500	59,838	18,338
Interest revenue	250	250	2,610	2,360
Other revenues	213,300	294,703	302,106	7,403
Total revenues	<u>4,405,643</u>	<u>4,484,048</u>	<u>4,604,002</u>	<u>119,954</u>
EXPENDITURES:				
Current:				
General government:				
Legislative	75,346	75,346	61,795	13,551
Executive	221,810	234,811	230,568	4,243
Financial and administrative	152,887	142,887	137,346	5,541
Garage	128,329	121,328	117,611	3,717
Way Building	29,300	39,300	35,620	3,680
Legal	100,100	85,100	79,959	5,141
Comprehensive planning	151,869	101,869	98,298	3,571
Other governmental services	801,696	538,196	247,539	290,657
Total general government	<u>1,661,337</u>	<u>1,338,837</u>	<u>1,008,736</u>	<u>330,101</u>
Public safety:				
Law enforcement	1,377,372	1,545,078	1,563,348	(18,270)
Fire control	316,000	539,000	529,884	9,116
School crossing guard	19,205	19,204	15,900	3,304
Total public safety	<u>1,712,577</u>	<u>2,103,282</u>	<u>2,109,132</u>	<u>(5,850)</u>
Physical environment:				
Cemetery	50,462	52,163	55,043	(2,880)
Total public works	<u>50,462</u>	<u>52,163</u>	<u>55,043</u>	<u>(2,880)</u>
Transportation:				
Roads and streets	331,275	363,274	366,002	(2,728)
Traffic control	66,611	41,611	30,527	11,084
Total transportation	<u>397,886</u>	<u>404,885</u>	<u>396,529</u>	<u>8,356</u>
Parks and recreation:				
Golf course	411,736	411,736	413,077	(1,341)
Parks	237,062	228,561	226,743	1,818
Mobile home park	152,298	162,298	159,662	2,636
Total parks and recreation	<u>801,096</u>	<u>802,595</u>	<u>799,482</u>	<u>3,113</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay	\$ 15,000	\$ 15,000	\$ 9,024	\$ 5,976
Total expenditures	4,638,358	4,716,762	4,377,946	332,840
Excess (deficiency) of revenues over (under) expenditures	(232,715)	(232,714)	226,056	458,770
OTHER FINANCING SOURCES				
Transfers in	173,000	173,000	15,408	(157,592)
Transfers out	-	-	(126,592)	(126,592)
Total other financing sources	173,000	173,000	(111,184)	(284,184)
Net change in fund balances	(59,715)	(59,714)	114,872	174,586
Fund balances, beginning of year	1,436,374	1,436,374	1,436,374	-
Fund balances, end of year	<u>\$ 1,376,659</u>	<u>\$ 1,376,660</u>	<u>\$ 1,551,246</u>	<u>\$ 174,586</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 FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Other revenues	\$ -	\$ 544,726	\$ -	\$ (544,726)
Total revenues	-	544,726	-	(544,726)
EXPENDITURES:				
Current:				
Parks and recreation	-	544,726	83,362	461,364
Total expenditures	-	544,726	83,362	461,364
Excess (deficiency) of revenues over (under) expenditures	-	-	(83,362)	(83,362)
OTHER FINANCING SOURCES				
Transfers in	-	-	44,726	44,726
Total other financing sources	-	-	44,726	44,726
Net change in fund balances	-	-	(38,636)	(38,636)
Fund balances, beginning of year	500,000	500,000	500,000	-
Fund balances, end of year	\$ 500,000	\$ 500,000	\$ 461,364	\$ (38,636)

CITY OF ARCADIA, FLORIDA

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

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 49,670	\$ 68,971
Interest on total pension liability	195,956	202,194
Differences between expected and actual experience	66,851	(193,138)
Benefit payments, including refunds of employee contributions	(162,803)	(146,834)
Net change in total pension liability	<u>149,674</u>	<u>(68,807)</u>
Total pension liability - beginning	<u>3,045,160</u>	<u>3,113,967</u>
Total pension liability - ending (a)	<u>\$ 3,194,834</u>	<u>\$ 3,045,160</u>
Plan fiduciary net position		
Contributions - employer	\$ 198,247	\$ 143,577
Contributions - state	-	-
Contributions - employee	46,964	30,416
Net investment income	(64,042)	99,110
Benefit payments, including refunds of member contributions	(162,803)	(146,834)
Administrative expenses	(2,648)	(2,735)
Net change in plan fiduciary net position	<u>15,718</u>	<u>123,534</u>
Plan fiduciary net position - beginning	<u>2,228,654</u>	<u>2,105,120</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,244,372</u>	<u>\$ 2,228,654</u>
City's net pension liability - ending (a) - (b)	<u>\$ 950,462</u>	<u>\$ 816,506</u>
Plan fiduciary net position as a percentage of the total pension liability	70.25%	73.19%
Covered-employee payroll	\$ 640,695	\$ 594,195
City's net pension liability as a percentage of covered-employee payroll	148.35%	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 CONTRIBUTIONS
EMPLOYEES' RETIREMENT PLAN**

	2015	2014
Actuarially determined contribution	\$ 158,901	\$ 151,965
Contributions in relation to the actuarially determined contribution	198,247	143,577
Contribution deficiency (excess)	\$ (39,346)	\$ 8,388
Covered employee payroll	\$ 640,695	\$ 594,195
Contributions as a percentage of covered-employee payroll	30.94%	24.16%

Notes to the Schedule:

Valuation Date January 1, 2015

Actuarially determined contribution is calculated on a plan year (calendar year) basis. The numbers displayed represent a blend of the actuarially determined contributions for the current and prior plan years. The blend is 75% of the current plan year (9 months) and 25% of the prior plan year (3 months).

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Frozen initial liability
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	10
Asset valuation method:	Book Value
Salary increases:	4.50%
Investment rate of return:	6.50%
Retirement age:	Normal Retirement Age, Age 65
Inflation:	3.0% per year
Mortality:	2015 IRS Small Plan Combined Static Mortality Table

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**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	0.40%	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**

Reporting Period Ending Measurement Date	<u>9/30/2016</u> <u>9/30/2015</u>	<u>9/30/2015</u> <u>9/30/2014</u>	<u>9/30/2014</u> <u>9/30/2013</u>
Total pension liability			
Service cost	\$ 117,101	\$ 119,940	\$ 111,056
Interest on total pension liability	768,557	741,182	717,978
Differences between expected and actual experience	132,719	-	-
Changes of assumptions	93,816	-	-
Benefit payments, including refunds of employee contributions	(517,422)	(514,785)	(580,930)
Net change in total pension liability	<u>594,771</u>	<u>346,337</u>	<u>248,104</u>
Total pension liability - beginning	<u>9,748,569</u>	<u>9,402,232</u>	<u>9,154,128</u>
Total pension liability - ending (a)	<u><u>\$10,343,340</u></u>	<u><u>\$ 9,748,569</u></u>	<u><u>\$ 9,402,232</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 238,735	\$ 381,020	\$ 247,435
Contributions - state	202,172	-	109,590
Contributions - employee	52,059	48,565	56,484
Net investment income	(23,626)	555,671	888,134
Benefit payments, including refunds of member contributions	(517,422)	(514,820)	(580,930)
Administrative expenses	(40,910)	(32,798)	(30,115)
Net change in plan fiduciary net position	<u>(88,992)</u>	<u>437,638</u>	<u>690,598</u>
Plan fiduciary net position - beginning	<u>8,786,316</u>	<u>8,348,678</u>	<u>7,658,080</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 8,697,324</u></u>	<u><u>\$ 8,786,316</u></u>	<u><u>\$ 8,348,678</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 1,646,016</u></u>	<u><u>\$ 962,253</u></u>	<u><u>\$ 1,053,554</u></u>
Plan fiduciary net position as a percentage of the total pension liability:	84.09%	90.13%	88.79%
Covered-employee payroll	\$ 748,459	\$ 505,532	\$ 588,375
City's net pension liability as a percentage of covered-employee payro	219.92%	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**

Reporting Period Ending	9/30/2016	9/30/2015	9/30/2014
Measurement Date	9/30/2015	9/30/2014	9/30/2013
Actuarially determined contribution	\$ 344,295	\$ 381,020	\$ 357,026
Contributions in relation to the actuarially determined contribution	440,907	381,020	357,026
Contribution deficiency (excess)	<u>\$ (96,612)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 748,459	\$ 505,532	\$ 588,375
Contributions as a percentage of covered-employee payroll	58.91%	75.37%	60.68%

Notes to the Schedule:

Valuation Date October 1, 2013

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 10/1/2013)
 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 retire 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**

Reporting Period Ending	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Measurement Date	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
Annual money-weighted rate of return, net of investment expenses	-0.37%	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
SCHEDULE OF FUNDING PROGRESS**

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

This page intentionally left blank.

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.

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, 2015

ASSETS	Special Revenue Funds		Capital Improvement	Totals
	Infrastructure Fund	Street Reserve		
Cash and cash equivalents	\$ 1,161,282	\$ 1,234,149	\$ 1,134,706	\$ 3,530,137
Due from other governments	-	-	52,999	52,999
Total assets	<u>\$ 1,161,282</u>	<u>\$ 1,234,149</u>	<u>\$ 1,187,705</u>	<u>\$ 3,583,136</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Transportation	-	1,234,149	-	1,234,149
Assigned for:				
Special projects	1,161,282	-	-	1,161,282
Capital projects	-	-	1,187,705	1,187,705
Total fund balances	<u>1,161,282</u>	<u>1,234,149</u>	<u>1,187,705</u>	<u>3,583,136</u>
Total liabilities and fund balances	<u>\$ 1,161,282</u>	<u>\$ 1,234,149</u>	<u>\$ 1,187,705</u>	<u>\$ 3,583,136</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, 2015**

	<u>Special Revenue Funds</u>		<u>Capital Improvement</u>	<u>Totals</u>
	<u>Infrastructure Fund</u>	<u>Street Reserve</u>		
Revenues:				
Taxes	\$ -	\$ -	\$ 496,023	\$ 496,023
Interest revenue	3,282	3,488	3,001	9,771
Total revenues	<u>3,282</u>	<u>3,488</u>	<u>499,024</u>	<u>505,794</u>
Expenditures:				
Capital outlay	-	-	265,729	265,729
Total expenditures	<u>-</u>	<u>-</u>	<u>265,729</u>	<u>265,729</u>
Excess of revenues over expenditures	<u>3,282</u>	<u>3,488</u>	<u>233,295</u>	<u>240,065</u>
Other financing (uses)				
Transfers out	-	-	(60,134)	(60,134)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>(60,134)</u>	<u>(60,134)</u>
Net change in fund balances	3,282	3,488	173,161	179,931
Fund balances, beginning of year	<u>1,158,000</u>	<u>1,230,661</u>	<u>1,014,544</u>	<u>3,403,205</u>
Fund balances, end of year	<u>\$ 1,161,282</u>	<u>\$ 1,234,149</u>	<u>\$ 1,187,705</u>	<u>\$ 3,583,136</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, 2015

	<u>Police Officers' and Firefighters' Retirement System</u>	<u>Employees' Retirement Plan</u>	<u>Total</u>
ASSETS			
Contributions receivable	\$ 96,763	\$ -	\$ 96,763
Interest and dividends receivable	18,676	-	18,676
Investments			
Money market funds	181,480	-	181,480
U.S. Government and agencies	1,214,296	-	1,214,296
Mortgage backed securities	884,176	-	884,176
Corporate bonds	1,430,656	-	1,430,656
Corporate stocks	4,881,951	-	4,881,951
Immediate participation guarantee contracts	-	893,762	893,762
Pooled investments	-	1,350,610	1,350,610
Total investments	<u>8,592,559</u>	<u>2,244,372</u>	<u>10,836,931</u>
TOTAL ASSETS	<u>8,707,998</u>	<u>2,244,372</u>	<u>10,952,370</u>
LIABILITIES			
Accounts payable	<u>10,674</u>	-	<u>10,674</u>
Total liabilities	<u>10,674</u>	-	<u>10,674</u>
NET POSITION			
Net position restricted for			
Pension benefits	<u>\$ 8,697,324</u>	<u>\$ 2,244,372</u>	<u>\$ 10,941,696</u>

CITY OF ARCADIA, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Police Officers' and Firefighters' Retirement System	Employees' Retirement Plan	Total
ADDITIONS			
Contributions			
City	\$ 238,735	\$ 198,247	\$ 436,982
State of Florida	202,172	-	202,172
Plan members	52,059	46,964	99,023
Total contributions	492,966	245,211	738,177
Investment income			
Net increase (decrease) in fair value of investments	(1,211,748)	(69,794)	(1,281,542)
Realized gain on sale of investments	950,422	-	950,422
Interest and dividends	289,752	70,687	360,439
Total investment income	28,426	893	29,319
Less investment expenses	52,052	64,935	116,987
Net investment income	(23,626)	(64,042)	(87,668)
Total additions	469,340	181,169	650,509
DEDUCTIONS			
Benefits	501,609	162,803	664,412
Administrative expenses	40,910	2,648	43,558
Refund of contributions	15,813	-	15,813
Total deductions	558,332	165,451	723,783
Change in net position	(88,992)	15,718	(73,274)
Net position restricted for pension benefits			
Net position, beginning of year	8,786,316	2,228,654	11,014,970
Net position, end of year	\$ 8,697,324	\$ 2,244,372	\$ 10,941,696

OTHER INDEPENDENT AUDITOR REPORTS



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

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

We have audited, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2016. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*.

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 2015-001 and 2015-002 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
June 27, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM 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* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 for the year ended September 30, 2015.

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 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 to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 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 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. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Bradenton, Florida
June 27, 2016

CITY OF ARCADIA, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30 2015**

<u>Federal / State Agency, Pass-through Entity, Federal / State Program</u>	<u>CFDA 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	\$ 644,692
Total U.S. Department of Housing and Urban Development			<u>644,692</u>
<u>U.S. Department of Justice</u>			
(Passed through Florida Department of Law Enforcement)			
Justice Assistance Grant	16.738	2015-JAGC-DESO-2-R3-097	10,306
Justice Assistance Grant	16.738	2015-JAGC-DESO-1-R1-003	1,696
(Passed through Florida Office of the Attorney General)			
Victims of Crime Grant	16.575	V145-14008	29,204
Total U.S. Department of Justice			<u>41,206</u>
<u>U.S. Department of Transportation</u>			
Direct			
Aviation Improvement Program	20.106	3-12-0093-004-2013	256,200
Total U.S. Department of Transportation			<u>256,200</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	439,655
Total U.S. Environmental Protection Agency			<u>439,655</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,381,753</u></u>

CITY OF ARCADIA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

General

The accompanying Schedule of Expenditures of Federal 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 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 \$4,638,238 in outstanding loans as of September 30, 2015, from the State Revolving Fund loan program.

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

**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 Awards

Internal Control over major federal 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:

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

14.228

Name of Federal Program or Cluster

Capitalized Grants for Drinking Water SRF

Community Development Block Grant

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, 2015

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

2015-001 Bank Reconciliations

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 its bank accounts to the general ledger on a monthly basis, and in a timely manner. 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 each months end.

Condition: While performing our audit procedures, we noted the City's bank accounts associated with pooled cash were not reconciled to the general ledger in a timely manner, and other reconciliations were not completed and reviewed in a timely manner. This resulted in discrepancies between the supporting documentation and the amounts reported in the general ledger. Thus, audit adjustments to cash general ledger accounts were required during the course of our audit of the City's financial statements for the year ended September 30, 2015.

Context/Cause: The City is still working through issues that were a result of turnover in the Finance Department and the City Administrator during the year ended September 30, 2014. This turnover caused delay in completion of the 2013 and 2014 fiscal year audits, which has caused a back-up in the reconciliation of bank accounts.

Effect: Several audit adjustments and City adjustments were needed to be made subsequent to the start of fieldwork which was several months after year end within most all of the City's funds to cash and offsetting revenues / expenditures.

Recommendation: Management of the City is continuing to improve its period close process, as evidenced by completion of the financial statement audit closer to the state required date of June 30 the last three years. We recommend that the City continue to improve on its period close procedures to ensure that they are completed on a monthly basis. We also recommend that 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.

CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

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. 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. It is the goal of management that for fiscal year 2016-17 bank reconciliations will be completed every month. Period closing procedures continue to improve. Staff training has been a priority in the 2014-15 year and will continue to be a priority. Staff at all levels in Finance have become much more aware of discovering issues with entries and software glitches and has learned how to resolve them in a timely manner.

2015-002 Accounts & Grants 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 accounts receivable and grants receivable 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 utility receivables subsidiary ledgers did not reconcile to the general ledger. Additionally, procedures disclosed that grant activity related to the airport federal grant was not recorded in the GL. Both of these discrepancies resulted in material audit adjustments to correctly state these balances in the City's financial statements for the year ended September 30, 2015.

Context/Cause: A reconciliation of the utility billing subsidiary accounts receivable was not performed as of September 30, 2015. Additionally, the City failed to recognize accounts receivable and related revenue for an airport grant in which funds were expended in 2015 but reimbursement requests were not submitted. Additionally, there was a lack of management oversight over the financial reporting process.

Effect: Adjustments to increase accounts receivable by \$551,519, increase revenues by \$282,075, increase construction in progress by \$103,325, decrease expenses by \$269,444, and increase notes payable by \$103,325 were required to be posted to various funds of the City.

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.

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Management's Response: Management concurs with this finding. The Finance Department has not always overseen all financial aspects of Grants. Management changed that, and now when the payment request has been given to Accounts Payable, Finance oversees the grant process from that point on. Finance staff makes the requests for reimbursement from the granting agency and is then able to know when funds are expected and also when funds are going to be received in another fiscal year so proper entries can be made to recognize accounts receivable.

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

None reported.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS**

FOR THE YEAR ENDED SEPTEMBER 30, 2015

2014-001 Cash & Accounts Receivable

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.

Auditee Response / Status: Substantially resolved.

2014-002 Accrued and Long-Term Liabilities

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.

Auditee Response / Status: Substantially resolved.

This page intentionally left blank.



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, 2015, and have issued our report thereon dated June 27, 2016.

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 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. Corrective actions have been taken to address findings made in the preceding annual financial report as findings 2014-001 and 2014-002 were corrected during the current year and are not repeated in this year's report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The 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, 2015, 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, 2015. 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.



Bradenton, Florida
June 27, 2016



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, 2015. 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, 2015.

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
June 27, 2016