

CITY OF ARCADIA, FLORIDA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2018

**CITY OF ARCADIA, FLORIDA
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2018**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet — Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities — Governmental Funds	19
Statement of Net Position — Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position — Proprietary Funds	21
Statement of Cash Flows — Proprietary Funds	22
Statement of Fiduciary Net Position — Fiduciary Funds	24
Statement of Changes in Fiduciary Net Position — Fiduciary Funds	25
Notes to Basic Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance — General Fund	69
Statement of Revenues, Expenditures, and Changes in Fund Balance — Street Reserve Fund	70
Note to Required Supplementary Information	70
Schedule of Changes in Net Pension Liability and Related Ratios — Employees' Retirement Plan	71
Schedule of Contributions — Employees' Retirement Plan	72
Schedule of Pension Investment Returns — Employees' Retirement Plan	73
Schedule of Changes in Net Pension Liability and Related Ratios — Police Officers' and Firefighters' Retirement System	74
Schedule of Contributions — Police Officers' and Firefighters' Retirement System	75

**CITY OF ARCADIA, FLORIDA
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2018**

Schedule of Pension Investment Returns — Police Officers’ and Firefighters’ Retirement System	76
Schedule of Changes in the City’s Total OPEB Liability and Related Ratios	77
Combining and Individual Fund Financial Statements	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Capital Improvement Fund	79
Fiduciary Funds	
Combining Statement of Fiduciary Net Position	81
Combining Statement of Changes in Fiduciary Net Position	82
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	83
MANAGEMENT LETTER	85
SCHEDULE OF FINDINGS AND RESPONSES	87
INDEPENDENT ACCOUNTANTS’ REPORT	92



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
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 (City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Honorable Mayor and
Members of the City Council
City of Arcadia, Florida

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, 2018, 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 a Matter

During the fiscal year ended September 30, 2018, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the City reported a restatement for the change in accounting principle (see Note 12.) Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, budgetary comparison for the General Fund and Street Reserve Fund on pages 69 and 70, information on pension benefits on pages 71 through 76, and information on other postemployment benefits on page 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

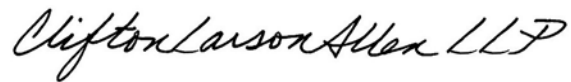
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and
Members of the City Council
City of Arcadia, Florida

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Sebring, Florida
June 7, 2019

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(UNAUDITED)**

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

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

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2018, by \$31,340,026 (net position). Of this amount, \$7,319,356 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2018, the City's governmental funds reported combined ending fund balances of \$3,780,792, for a decrease of \$1,126,655 in comparison with the prior year. Of this amount, \$1,415,402 is available for spending at the City's discretion (unassigned fund balance).
- The City's total net position increased \$1,453,764. Net position for governmental activities decreased \$483,900, while net position for business-type activities increased \$1,937,664.
- Total debt for the City decreased \$50,379 during the current fiscal year as a result of the capital leases for new equipment, less current year 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, 2018
(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, 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, solid waste operations, 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 15 and 16 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 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.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(UNAUDITED)**

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 economic resources) a reconciliation of both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is provided 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 four (4) individual governmental funds, three (3) proprietary funds, and two (2) fiduciary funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Street Reserve Fund, Capital Improvement Fund, and Disaster Assistance Fund which are considered to be major funds. There were no nonmajor funds for fiscal year 2017-2018.

For fiscal year 2017-2018, the City adopted annual appropriated budgets for the General Fund, Street Reserve Fund, and Capital Improvement Fund. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17 and 18 of this report.

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 water and sewer services, solid waste operations, and the airport. The Water and Sewer Fund, Solid Waste Fund, and Airport Fund are considered to be major 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 20 to 23 of this report.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(UNAUDITED)**

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 24 and 25 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 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net 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 \$31,340,026 at the close of the most recent fiscal year.

CITY OF ARCADIA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 4,295,660	\$ 5,443,417	\$ 8,330,371	\$ 9,495,187	\$ 12,626,031	\$ 14,938,604
Capital Assets	7,792,009	6,779,264	23,937,525	21,255,168	31,729,534	28,034,432
Total Assets	12,087,669	12,222,681	32,267,896	30,750,355	44,355,565	42,973,036
Deferred Outflows of Resources	763,442	1,134,197	266,575	281,299	1,030,017	1,415,496
Long-Term Liabilities						
Outstanding	3,239,255	2,772,913	8,877,308	9,175,552	12,116,563	11,948,465
Other Liabilities	495,728	391,990	1,144,680	908,783	1,640,408	1,300,773
Total Liabilities	3,734,983	3,164,903	10,021,988	10,084,335	13,756,971	13,249,238
Deferred Inflows of Resources	285,965	250,829	2,620	4,388	288,585	255,217
Net Position:						
Net Investment in Capital Assets	7,298,564	6,721,560	16,057,001	14,275,053	23,355,565	20,996,613
Restricted	44,688	348,229	620,417	2,223,006	665,105	2,571,235
Unrestricted	1,486,911	2,871,357	5,832,445	4,444,872	7,319,356	7,316,229
Total Net Position	\$ 8,830,163	\$ 9,941,146	\$ 22,509,863	\$ 20,942,931	\$ 31,340,026	\$ 30,884,077

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(UNAUDITED)**

Statement of Position (Continued)

By far, the largest portion of the City's net position (75%) 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, \$665,105, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$7,319,356, 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 15).

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 Nonborrowed 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.

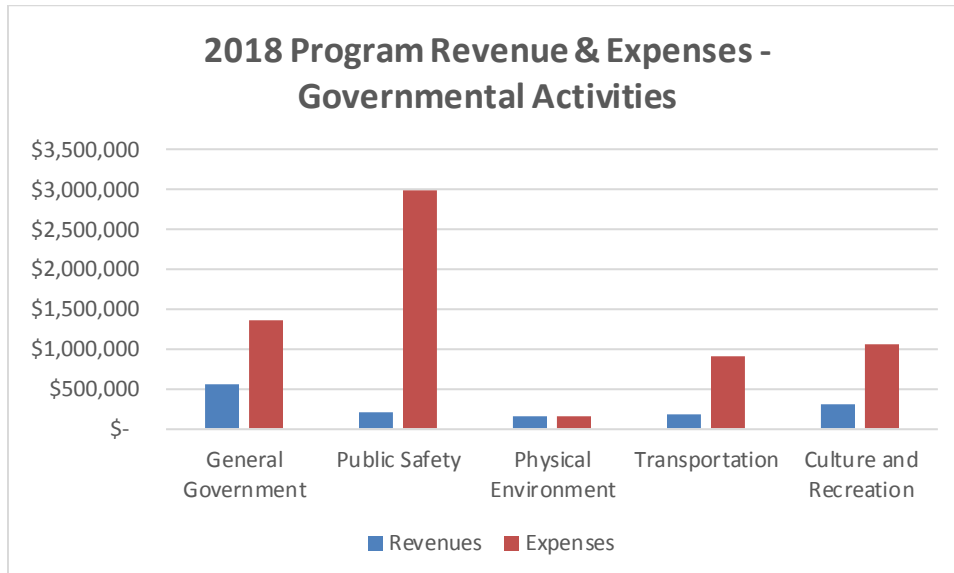
Principal Payment on Debt – will: (a) reduce current assets and reduce long-term debt, and (b) reduce unrestricted net position and increase the net investment in capital assets.

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, 2018
(UNAUDITED)**

CITY OF ARCADIA'S CHANGES IN NET POSITION

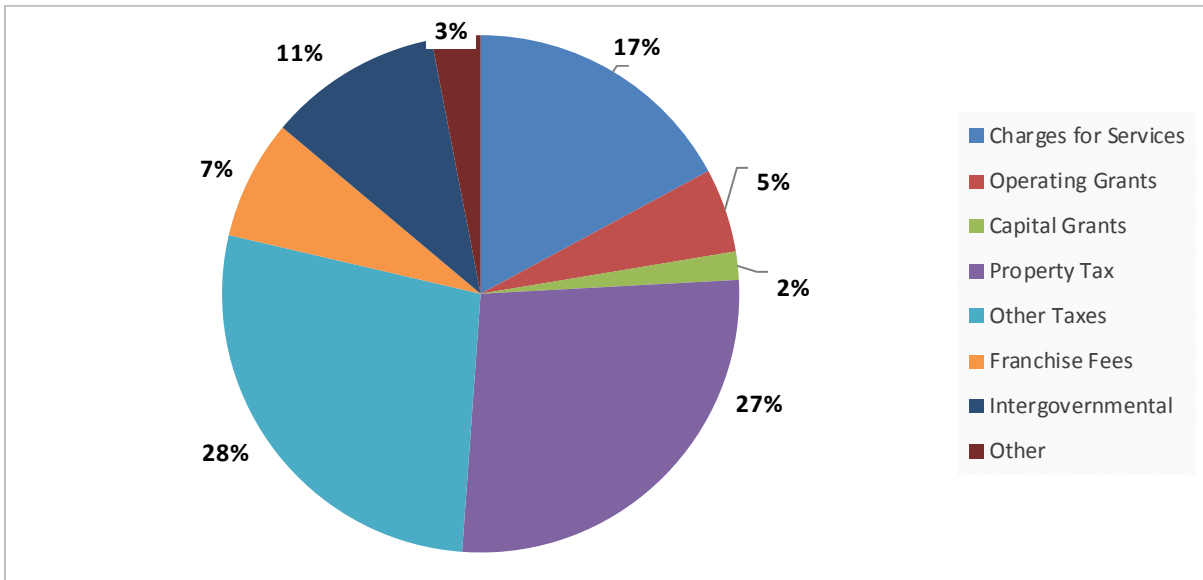
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	\$ 1,027,481	\$ 934,525	\$ 5,755,380	\$ 5,283,450	\$ 6,782,861	\$ 6,217,975
Operating Grants and Contributions	314,568	114,260	21,498	242,698	336,066	356,958
Capital Grants and Contributions	105,705	11,086	924,952	568,359	1,030,657	579,445
General Revenues:						
Property Taxes	1,619,697	1,559,950	-	-	1,619,697	1,559,950
Other Taxes	1,649,798	1,602,778	-	-	1,649,798	1,602,778
Franchise Fees	447,226	446,949	-	-	447,226	446,949
Intergovernmental	650,645	607,857	-	-	650,645	607,857
Other	182,345	93,038	104,598	57,737	286,943	150,775
Total Revenues	5,997,465	5,370,443	6,806,428	6,152,244	12,803,893	11,522,687
Expenses:						
General Government	1,375,539	1,311,365	-	-	1,375,539	1,311,365
Public Safety	2,994,692	2,613,583	-	-	2,994,692	2,613,583
Physical Environment	150,688	83,838	-	-	150,688	83,838
Transportation	901,735	678,050	-	-	901,735	678,050
Culture and Recreation	1,058,711	826,034	-	-	1,058,711	826,034
Water and Sewer	-	-	3,868,668	4,075,956	3,868,668	4,075,956
Solid Waste	-	-	720,152	822,729	720,152	822,729
Airport	-	-	279,944	249,339	279,944	249,339
Total Expenses	6,481,365	5,512,870	4,868,764	5,148,024	11,350,129	10,660,894
Change in Net Position	(483,900)	(142,427)	1,937,664	1,004,220	1,453,764	861,793
Net Position - Beginning	9,941,146	10,083,573	20,942,931	19,938,711	30,884,077	30,022,284
Restatement (see Note 12)	(627,083)	-	(370,732)	-	(997,815)	-
Net Position - Beginning, as Restated	9,314,063	10,083,573	20,572,199	19,938,711	29,886,262	30,022,284
Net Position - Ending	\$ 8,830,163	\$ 9,941,146	\$ 22,509,863	\$ 20,942,931	\$ 31,340,026	\$ 30,884,077



**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(UNAUDITED)**

Governmental Activities – For the current year, the City's governmental activities had a decrease in net position of \$483,900 a decrease of \$341,473 in comparison with the prior year. This decrease is comprised of an increase in revenues of \$627,022 offset by an increase in expenses of \$968,495. The following graphic reflects the source of revenues for governmental activities.

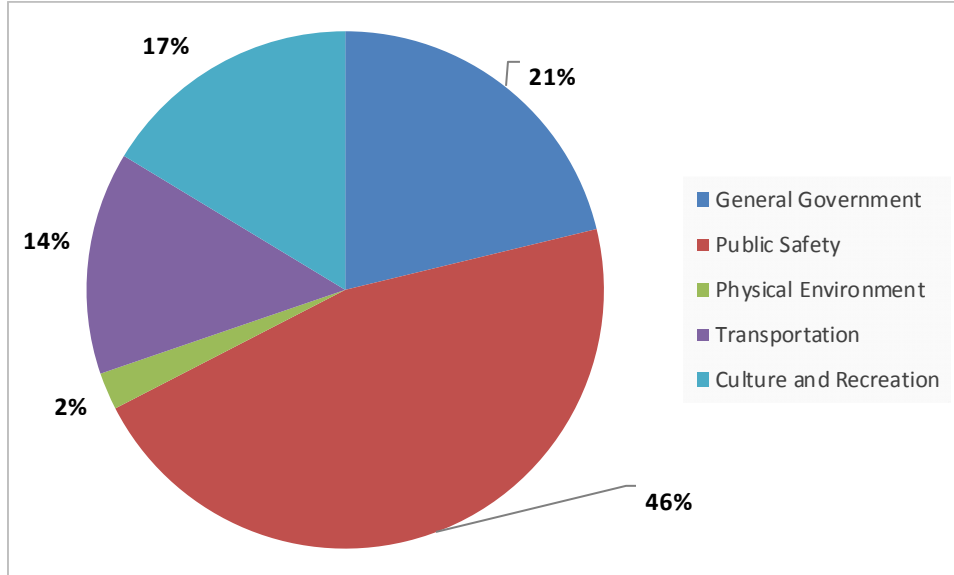
2018 Revenues by Source – Governmental Activities



In total, governmental activities revenues increased \$627,022.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(UNAUDITED)**

2018 Expenses by Type - Governmental Activities

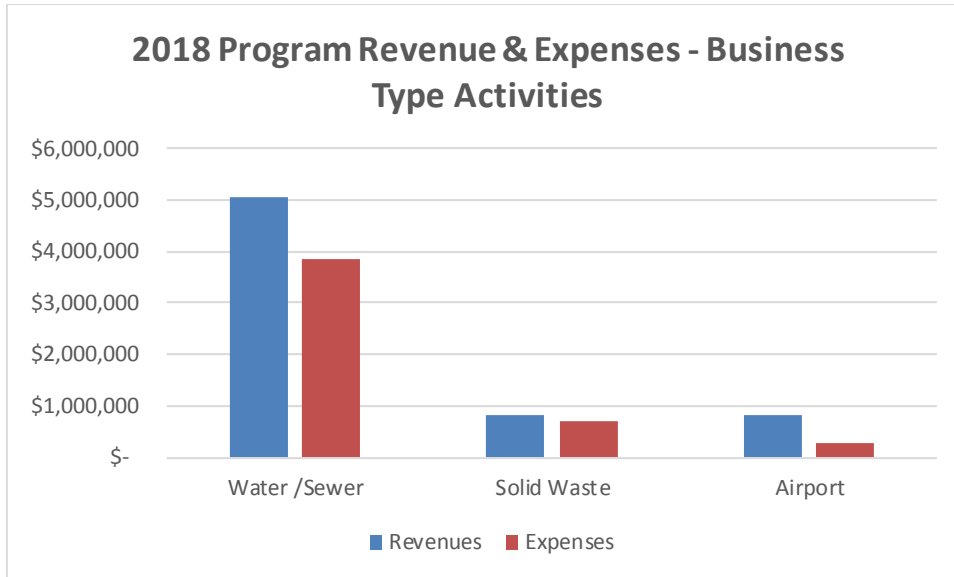


Total program expenses for governmental activities increased \$968,495 when compared to the prior year. Significant increases include \$381,109 in Public Safety, \$233,685 in Transportation, and \$232,677 in Culture and Recreation. The increases relate primarily to pay rate increases as the result of a rate study performed and Disaster Assistance Fund expenditures in the aftermath of Hurricane Irma.

Business Type Activities – The City’s business type activities 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 \$5,389,703; and the increase in total net position was \$1,301,147. The City increased water utility rates and late fees in November 2012 through 2017, in an effort to rebuild net position in this fund. Additionally, grant revenue increased in the Airport Fund by \$295,468 for FDOT Drainage and Aviation Development Grants.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(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 \$3,780,792, a decrease of \$1,126,655 in comparison with the prior year. Approximately 37% of this total amount, \$1,415,402, 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 decreased by \$355,768.

The Disaster Assistance Fund has a deficit fund balance of \$835,168. This is due to pending grant and insurance reimbursements.

General Fund Budgetary Highlights – The City did amend the 2017-2018 budget during the year, decreasing original appropriations by \$1,163,312. Overall, General Fund expenditures were more than budgeted appropriations by \$465,543, of which \$410,901 related to capital outlay related to capitalized leases. More detailed information can be found in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on page 69.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets – The City's capital assets for its governmental and business-type activities as of September 30, 2018, amount to \$31,739,534 (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	
	2018	2017	2018	2017	2018	2017
Improvements other than Buildings	\$ 4,318,585	\$ 3,605,620	\$ -	\$ -	\$ 23,934,229	\$ 3,605,620
Infrastructure	4,672,966	4,667,677	19,615,644	19,120,960	4,672,966	23,788,637
Machinery and Equipment	2,515,263	2,030,286	5,582,669	4,924,717	8,097,932	6,955,003
Total Capital Assets	14,779,268	13,449,668	48,373,609	44,683,809	63,152,877	58,133,477
Less: Accumulated Depreciation	(6,987,259)	(6,670,404)	(24,436,084)	(23,428,641)	(31,423,343)	(30,099,045)
	\$ 7,792,009	\$ 6,779,264	\$ 23,937,525	\$ 21,255,168	\$ 31,729,534	\$ 28,034,432

Current capital projects in process and/or completed during the fiscal year include street rehabilitation improvements, sewer line replacement, airport turf runway drainage, and new water meter installations. Additional information on the City's capital assets can be found in Note 5 of the notes to the basic financial statements.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(UNAUDITED)**

Long-Term Debt – At the end of the 2018 fiscal year, the City had debt outstanding of \$8,321,301.

City of Arcadia's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds Payable	\$ -	\$ -	\$ 1,205,000	\$ 1,572,856	\$ 1,205,000	\$ 1,572,856
State Revolving Fund Loans Payable	-	-	4,369,856	4,526,109	4,369,856	4,526,109
Purchase Agreement Note Payable	-	-	1,862,555	2,039,562	1,862,555	2,039,562
Capital Leases Payable	431,118	-	452,772	233,153	883,890	233,153
Total	<u>\$ 431,118</u>	<u>\$ -</u>	<u>\$ 7,890,183</u>	<u>\$ 8,371,680</u>	<u>\$ 8,321,301</u>	<u>\$ 8,371,680</u>

Debt balances increased for the purchase agreement note for new water meters. Bonds payable, state revolving fund loans payable, and capital leases payable decreased due to regularly scheduled principal payments.

Additional information on the City's long-term debt can be found in Note 6 of the notes to the basic financial statements.

Economic Factors and Next Year's Budget

For fiscal year 2018, 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 years 2014, 2015, 2016 and 2017. 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. To that end, there is some evidence that property values may again edge slightly upward in the near future.

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, and P.O. Box 1000, Arcadia, Florida 34265.

**CITY OF ARCADIA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,187,859	\$ 5,979,215	\$ 9,167,074
Accounts Receivable, Net of Allowances	333,535	812,898	1,146,433
Due from Other Governments	322,287	573,508	895,795
Internal Balances	451,979	(451,979)	-
Restricted Assets:			
Cash and Cash Equivalents	-	1,416,729	1,416,729
Capital Assets:			
Nondepreciable	1,461,181	4,187,127	5,648,308
Depreciable, Net	6,330,828	19,750,398	26,081,226
Total Assets	<u>12,087,669</u>	<u>32,267,896</u>	<u>44,355,565</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pensions	645,031	87,556	732,587
Deferred Outflows - OPEB	118,411	52,901	171,312
Deferred Charges on Refundings	-	126,118	126,118
Total Deferred Outflows of Resources	<u>763,442</u>	<u>266,575</u>	<u>1,030,017</u>
LIABILITIES			
Accounts Payable	210,841	651,318	862,159
Accrued Liabilities	166,476	40,358	206,834
Current Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	-	397,462	397,462
Unearned Revenue	-	2,641	2,641
Current Portion of Total OPEB Liability	118,411	52,901	171,312
Noncurrent Liabilities:			
Net Pension Liability	1,397,442	369,970	1,767,412
Total OPEB Liability	1,203,140	537,514	1,740,654
Due Within One Year	117,082	979,014	1,096,096
Due in More than One Year	521,591	6,990,810	7,512,401
Total Liabilities	<u>3,734,983</u>	<u>10,021,988</u>	<u>13,756,971</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pensions	285,965	2,620	288,585
NET POSITION			
Net Investment in Capital Assets	7,298,564	16,057,001	23,355,565
Restricted for:			
Debt Service	-	600,187	600,187
Utilities Infrastructure	-	20,230	20,230
Transportation	44,688	-	44,688
Unrestricted	1,486,911	5,832,445	7,319,356
Total Net Position	<u>\$ 8,830,163</u>	<u>\$ 22,509,863</u>	<u>\$ 31,340,026</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ARCADIA, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,375,539	\$ 560,452	\$ -	\$ -	\$ (815,087)	\$ -	\$ (815,087)
Public Safety	2,994,692	13,422	203,032	-	(2,778,238)	-	(2,778,238)
Physical Environment	150,688	37,411	111,536	-	(1,741)	-	(1,741)
Transportation	901,735	92,605	-	105,705	(703,425)	-	(703,425)
Culture and Recreation	1,058,711	323,591	-	-	(735,120)	-	(735,120)
Total Governmental Activities	6,481,365	1,027,481	314,568	105,705	(5,033,611)	-	(5,033,611)
BUSINESS-TYPE ACTIVITIES							
Water and Sewer	3,868,668	4,768,805	21,498	282,467	-	1,204,102	1,204,102
Solid Waste	720,152	807,348	-	-	-	87,196	87,196
Airport	279,944	179,227	-	642,485	-	541,768	541,768
Total Business-Type Activities	4,868,764	5,755,380	21,498	924,952	-	1,833,066	1,833,066
Total Primary Government	\$ 11,350,129	\$ 6,782,861	\$ 336,066	\$ 1,030,657	(5,033,611)	1,833,066	(3,200,545)
GENERAL REVENUES							
Property Taxes					1,619,697	-	1,619,697
Local Option Gas Tax					283,735	-	283,735
Infrastructure Tax					582,179	-	582,179
Public Service Taxes					582,370	-	582,370
Communications Services Taxes					157,744	-	157,744
Business License Taxes					43,770	-	43,770
Franchise Fees					447,226	-	447,226
Intergovernmental, Unrestricted					650,645	-	650,645
Unrestricted Investment Earnings					79,520	104,598	184,118
Miscellaneous					102,825	-	102,825
Total General Revenues					4,549,711	104,598	4,654,309
CHANGE IN NET POSITION							
Net Position - Beginning of Year, as Previously Reported					9,941,146	20,942,931	30,884,077
Restatement (See Note 12)					(627,083)	(370,732)	(997,815)
Net Position - Beginning of Year, as Restated					9,314,063	20,572,199	29,886,262
NET POSITION - END OF YEAR							
					\$ 8,830,163	\$ 22,509,863	\$ 31,340,026

See accompanying Notes to Basic Financial Statements.

**CITY OF ARCADIA, FLORIDA
BALANCE SHEET — GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	General	Street Reserve	Capital Improvement	Disaster Assistance	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 882,880	\$ 44,687	\$ 2,260,292	\$ -	\$ 3,187,859
Accounts Receivable, Net	333,535	-	-	-	333,535
Due from Other Governments	218,367	-	103,920	-	322,287
Due from Other Funds	1,279,447	-	-	-	1,279,447
Total Assets	\$ 2,714,229	\$ 44,687	\$ 2,364,212	\$ -	\$ 5,123,128
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Accounts Payable	\$ 159,632	\$ 43,509	\$ -	\$ 7,700	\$ 210,841
Accrued Liabilities	161,586	-	-	-	161,586
Due to Other Funds	-	-	-	827,468	827,468
Total Liabilities	321,218	43,509	-	835,168	1,199,895
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Restitution	142,441	-	-	-	142,441
FUND BALANCES					
Restricted for:					
Transportation	-	1,178	-	-	1,178
Assigned for:					
Capital Projects	-	-	2,364,212	-	2,364,212
Unassigned	2,250,570	-	-	(835,168)	1,415,402
Total Fund Balances	2,250,570	1,178	2,364,212	(835,168)	3,780,792
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,714,229	\$ 44,687	\$ 2,364,212	\$ -	
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					14,779,268
Less: Accumulated Depreciation					(6,987,259)
Total					7,792,009
Unavailable revenue is recorded in the funds to offset receivables that do not meet the criteria for revenue recognition in the current period.					
					142,441
Deferred outflows, deferred inflows 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					645,031
Deferred Inflows - Pensions					(285,965)
Net Pension Liability					(1,397,442)
Total					(1,038,376)
Deferred outflows and the total OPEB liability are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.					
Deferred Outflows - OPEB					118,411
Total OPEB Liability					(1,321,551)
Total					(1,203,140)
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.					
Capital Leases					(431,118)
Compensated Absences					(207,555)
Total					(638,673)
Accrued general long-term debt interest expense is not a financial use and, therefore, is not reported in the funds.					
					(4,890)
Net Position of Governmental Activities					\$ 8,830,163

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	General	Street Reserve	Capital Improvement	Disaster Assistance	Total Governmental Funds
REVENUES					
Taxes	\$ 2,687,316	\$ -	\$ 582,179	\$ -	\$ 3,269,495
Charges for Services	428,697	-	-	-	428,697
Permits, Fees, and Assessments	723,905	-	-	-	723,905
Intergovernmental	908,481	-	-	65,076	973,557
Fines and Forfeitures	83,271	-	-	-	83,271
Interest Revenue	39,053	1,181	39,286	-	79,520
Other Revenues	440,558	-	-	-	440,558
Total Revenues	<u>5,311,281</u>	<u>1,181</u>	<u>621,465</u>	<u>65,076</u>	<u>5,999,003</u>
EXPENDITURES					
Current:					
General Government	1,191,119	-	-	-	1,191,119
Public Safety	2,307,371	-	-	662,665	2,970,036
Physical Environment	73,426	-	-	-	73,426
Transportation	583,878	-	-	-	583,878
Culture and Recreation	964,881	-	-	-	964,881
Capital Outlay	1,061,802	649,192	2,095	58,337	1,771,426
Debt Service:					
Principal Retirement	69,069	-	-	-	69,069
Interest	2,010	-	-	-	2,010
Total Expenditures	<u>6,253,556</u>	<u>649,192</u>	<u>2,095</u>	<u>721,002</u>	<u>7,625,845</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(942,275)	(648,011)	619,370	(655,926)	(1,626,842)
OTHER FINANCING SOURCES (USES)					
Transfers In	86,320	358,664	-	-	444,984
Transfers Out	-	-	(444,984)	-	(444,984)
Issuance of Debt	500,187	-	-	-	500,187
Total Other Financing Sources (Uses)	<u>586,507</u>	<u>358,664</u>	<u>(444,984)</u>	<u>-</u>	<u>500,187</u>
NET CHANGE IN FUND BALANCES	(355,768)	(289,347)	174,386	(655,926)	(1,126,655)
Fund Balances - Beginning of Year	<u>2,606,338</u>	<u>290,525</u>	<u>2,189,826</u>	<u>(179,242)</u>	<u>4,907,447</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,250,570</u>	<u>\$ 1,178</u>	<u>\$ 2,364,212</u>	<u>\$ (835,168)</u>	<u>\$ 3,780,792</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ARCADIA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES —
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018**

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

Net Change in Fund Balances - Total Governmental Funds \$ (1,126,655)

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	1,618,070
Less: Current Year Depreciation Expense	(590,121)
Total	1,027,949

The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is a decrease to net position. (15,203)

Long-Term liabilities are reported in the statement of net position but not in the governmental funds because they are not due and payable in the current period. This amount is the effect of these differences in the treatment of long-term debt and related items.

Debt Issued	(500,187)
Principal Payments on Debt	69,069
Total	(431,118)

Some revenues reported in the statement of activities will not be collected for several months after the fiscal year and, therefore, are not reported as revenue in the governmental funds.
Change in Unavailable Revenue - Restitution (1,538)

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	97,283
Change in Accrued Interest	(4,890)
Change in Total OPEB Liability	(26,812)
Change in Compensated Absences	(2,916)
Total	62,665

Change in Net Position of Governmental Activities \$ (483,900)

CITY OF ARCADIA, FLORIDA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
SEPTEMBER 30, 2018

ASSETS	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 5,558,847	\$ 420,368	\$ -	\$ 5,979,215
Restricted Cash and Cash Equivalents:				
2003 Refunding Bonds, Sinking Fund	402,050	-	-	402,050
Customer Deposits	394,262	-	-	394,262
Purchase Agreement Note	20,230	-	-	20,230
Accounts Receivable, Net of Allowances	689,610	120,528	2,760	812,898
Due from Other Governments	29,143	-	544,365	573,508
Due from Other Funds	1,593	-	-	1,593
Total Current Assets	<u>7,095,735</u>	<u>540,896</u>	<u>547,125</u>	<u>8,183,756</u>
NONCURRENT ASSETS				
Restricted Assets, Cash - 2003 Refunding Bonds, Reserve Funds	600,187	-	-	600,187
Capital Assets:				
Nondepreciable	3,074,962	-	1,112,165	4,187,127
Depreciable, Net of Accumulated Depreciation	17,964,671	396,485	1,389,242	19,750,398
Total Noncurrent Assets	<u>21,639,820</u>	<u>396,485</u>	<u>2,501,407</u>	<u>24,537,712</u>
Total Assets	28,735,555	937,381	3,048,532	32,721,468
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pensions	64,858	22,698	-	87,556
Deferred Outflows - OPEB	41,835	11,066	-	52,901
Deferred Charges on Refundings	126,118	-	-	126,118
Total Deferred Outflows of Resources	<u>232,811</u>	<u>33,764</u>	<u>-</u>	<u>266,575</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	350,424	24,965	229,224	604,613
Accrued Liabilities	16,230	5,912	-	22,142
Accrued Interest	-	1,166	-	1,166
Retainage Payable	2,919	-	43,786	46,705
Unearned Revenue	-	-	2,641	2,641
Current Portion - Compensated Absences	6,183	1,781	-	7,964
Current Portion - Capital Leases Payable	42,960	142,749	-	185,709
Current Portion - Notes Payable	400,341	-	-	400,341
Current Portion - Total OPEB Liability	41,834	11,067	-	52,901
Due to Other Funds	100,946	88,129	264,497	453,572
Payable from Restricted Assets:				
Customer Deposits	394,262	-	3,200	397,462
Accrued Interest	17,050	-	-	17,050
Bonds Payable, Current Portion	385,000	-	-	385,000
Total Current Liabilities	<u>1,758,149</u>	<u>275,769</u>	<u>543,348</u>	<u>2,577,266</u>
NONCURRENT LIABILITIES				
Compensated Absences, Net of Current Portion	55,652	16,025	-	71,677
Revenue Bonds Payable, Net of Current Portion	820,000	-	-	820,000
Capital Leases Payable, Net of Current Portion	44,335	222,728	-	267,063
Notes Payable, Net of Current Portion	5,832,070	-	-	5,832,070
Net Pension Liability	274,059	95,911	-	369,970
Total OPEB Liability - Net of Current Portion	425,068	112,446	-	537,514
Total Noncurrent Liabilities	<u>7,451,184</u>	<u>447,110</u>	<u>-</u>	<u>7,898,294</u>
Total Liabilities	9,209,333	722,879	543,348	10,475,560
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pensions	1,941	679	-	2,620
NET POSITION				
Net Investment in Capital Assets	13,746,972	31,010	2,279,019	16,057,001
Restricted for Debt Service	600,187	-	-	600,187
Restricted for Utilities Infrastructure	20,230	-	-	20,230
Unrestricted	5,389,703	216,577	226,165	5,832,445
Total Net Position	<u>\$ 19,757,092</u>	<u>\$ 247,587</u>	<u>\$ 2,505,184</u>	<u>\$ 22,509,863</u>

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION —
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Totals
OPERATING REVENUES				
Charges for Services	\$ 4,727,599	\$ 807,348	\$ 102,957	\$ 5,637,904
Other Revenues	41,206	-	76,270	117,476
Total Operating Revenues	<u>4,768,805</u>	<u>807,348</u>	<u>179,227</u>	<u>5,755,380</u>
OPERATING EXPENSES				
Personal Services	1,061,859	271,149	51,762	1,384,770
Operating Expenses	1,693,601	352,079	121,945	2,167,625
Depreciation	818,518	88,646	106,237	1,013,401
Total Operating Expenses	<u>3,573,978</u>	<u>711,874</u>	<u>279,944</u>	<u>4,565,796</u>
OPERATING INCOME (LOSS)	1,194,827	95,474	(100,717)	1,189,584
NONOPERATING INCOME (EXPENSES)				
Intergovernmental	21,498	-	-	21,498
Interest Income	97,045	7,553	-	104,598
Interest Expense	(290,248)	(8,278)	-	(298,526)
Gain/(Loss) on Disposal of Capital Assets	(4,442)	-	-	(4,442)
Total Nonoperating Income (Expenses)	<u>(176,147)</u>	<u>(725)</u>	<u>-</u>	<u>(176,872)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,018,680	94,749	(100,717)	1,012,712
CAPITAL GRANTS AND CONTRIBUTIONS	<u>282,467</u>	<u>-</u>	<u>642,485</u>	<u>924,952</u>
CHANGE IN NET POSITION	1,301,147	94,749	541,768	1,937,664
Net Position - Beginning of Year, as Previously Reported	18,721,577	257,938	1,963,416	20,942,931
Restatement (See Note 12)	(265,632)	(105,100)	-	(370,732)
Net Position - Beginning of Year, as Restated	<u>18,455,945</u>	<u>152,838</u>	<u>1,963,416</u>	<u>20,572,199</u>
NET POSITION - END OF YEAR	<u>\$ 19,757,092</u>	<u>\$ 247,587</u>	<u>\$ 2,505,184</u>	<u>\$ 22,509,863</u>

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 4,643,376	\$ 803,079	\$ 181,758	\$ 5,628,213
Payments to Suppliers	(1,633,817)	(360,620)	(272,101)	(2,266,538)
Payments to Employees	(1,185,220)	(331,361)	(51,762)	(1,568,343)
Net Cash Provided by Operating Activities	<u>1,824,339</u>	<u>111,098</u>	<u>(142,105)</u>	<u>1,793,332</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Grant	105,952	-	-	105,952
Transfer to Other Fund	-	-	270,833	270,833
Net Cash Provided by Noncapital Financing Activities	<u>105,952</u>	<u>-</u>	<u>270,833</u>	<u>376,785</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(2,542,764)	-	(468,660)	(3,011,424)
Proceeds from Capital Grant	457,651	-	285,582	743,233
Proceeds from Notes Payable and Capital Leases	37,240	-	-	37,240
Principal Paid on Bonds	(370,500)	-	-	(370,500)
Principal Paid on Notes Payable and Capital Leases	(370,000)	(147,147)	-	(517,147)
Interest Paid	(297,479)	(9,410)	-	(306,889)
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,085,852)</u>	<u>(156,557)</u>	<u>(183,078)</u>	<u>(3,425,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	<u>97,045</u>	<u>7,554</u>	<u>-</u>	<u>104,599</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,058,516)</u>	<u>(37,905)</u>	<u>(54,350)</u>	<u>(1,150,771)</u>
Cash and Cash Equivalents - Beginning of Year	<u>8,034,092</u>	<u>458,273</u>	<u>54,350</u>	<u>8,546,715</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 6,975,576</u></u>	<u><u>\$ 420,368</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,395,944</u></u>
CLASSIFIED AS:				
Cash and Cash Equivalents	\$ 5,558,847	\$ 420,368	\$ -	\$ 5,979,215
Restricted Cash and Cash Equivalents, Sinking Fund	402,050	-	-	402,050
Restricted Cash and Cash Equivalents, Customer Deposits	394,262	-	-	394,262
Restricted Cash and Cash Equivalents, Purchase Agreement Note	20,230	-	-	20,230
Restricted Cash, Reserve Funds	600,187	-	-	600,187
Total	<u><u>\$ 6,975,576</u></u>	<u><u>\$ 420,368</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,395,944</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,194,827	\$ 95,474	\$ (100,717)	\$ 1,189,584
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	881,579	88,646	106,237	1,076,462
Changes in Assets and Liabilities:				
(Increase) in Accounts Receivable	(153,436)	(4,269)	(1,819)	(159,524)
(Increase) Decrease In Deferred Outflows - Pensions	13,577	(9,012)	-	4,565
(Increase) Decrease In Deferred Outflows - OPEB	7,071	8,353	-	15,424
Increase (Decrease) in Accounts Payable	(3,277)	(8,540)	(150,156)	(161,973)
Increase (Decrease) in Accrued Liabilities	(614)	1,723	-	1,109
Increase in Unearned Revenue	-	-	2,150	2,150
(Decrease) in Compensated Absences	(2,689)	(5,343)	-	(8,032)
Increase in Customer Deposits	28,007	-	2,200	30,207
Increase (Decrease) in Net Pension Liability	(58,357)	37,904	-	(20,453)
Increase (Decrease) in Total OPEB Liability	(80,553)	(93,865)	-	(174,418)
Increase (Decrease) In Deferred Inflows - Pensions	(1,796)	27	-	(1,769)
Net Cash Provided by Operating Activities	<u>\$ 1,824,339</u>	<u>\$ 111,098</u>	<u>\$ (142,105)</u>	<u>\$ 1,793,332</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Assets Acquired Through Retainage and Accounts Payable	\$ 95,180	\$ -	\$ 222,388	\$ 317,568
Assets Acquired Through Capital Lease	-	366,766	-	366,766
Total	<u>\$ 95,180</u>	<u>\$ 366,766</u>	<u>\$ 222,388</u>	<u>\$ 684,334</u>

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION — FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	<u>Pension Trust Funds</u>
ASSETS	
Cash	\$ 62,002
Contributions Receivable	54,578
Interest and Dividends Receivable	19,890
Investments:	
Short-Term Investments	625,519
Common Stock	3,252,224
Foreign Stock	72,766
Unit Investment Trusts	153,474
U.S. Government Obligations	1,291,523
Mortgage/Asset-Backed Securities	965,244
Corporate Bonds	1,010,497
Foreign Stock	64,594
Mutual Funds - Equity	3,944,677
Mutual Funds - Fixed Income	836,933
Nonparticipating Interest-Earning Contract	1,182,382
Total Investments	<u>13,399,833</u>
 Total Assets	 13,536,303
LIABILITIES	
Accounts Payable	<u>10,674</u>
NET POSITION	
Net Position Restricted for:	
Pension Benefits	<u><u>\$ 13,525,629</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 640,138
State of Florida	94,361
Plan Members	<u>127,241</u>
Total Contributions	861,740
Investment Income:	
Net Increase in Fair Value of Investments	60,972
Realized Gain on Sale of Investments	319,213
Interest and Dividends	<u>424,362</u>
Total Investment Income	804,547
Less: Investment Expenses	<u>(81,376)</u>
Net Investment Income	<u>723,171</u>
Total Additions	1,584,911
DEDUCTIONS	
Benefits	680,828
Administrative Expenses	<u>93,173</u>
Total Deductions	<u>774,001</u>
CHANGE IN NET POSITION	810,910
Net Position - Beginning of Year	<u>12,714,719</u>
NET POSITION - END OF YEAR	<u><u>\$ 13,525,629</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

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, waste collection, parks and recreation, certain social services, and general administration. In addition, the City owns and operates a water system and sewer system.

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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 nonfiduciary activities of the City. *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.

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (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 *Street Reserve Fund* is used to account for the receipt, custody, and expenditure of local option gas tax revenues for maintaining streets and roads.

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

The *Disaster Assistance Fund* is used to account for the receipt and expenditure of funds designated for disaster recovery.

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.

The *Airport Fund* accounts for operations and facilities at the City owned airport. This fund includes rental properties.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise 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 nonoperating revenues and expenses.

Assets, Liabilities, and Net Position or Fund Balance

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 "cash and cash equivalents" in the financial statements. Interest income earned as a result of pooling is distributed monthly to the appropriate funds based on average daily balances.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

In addition, nonpooled cash and cash equivalents are separately held by several of the City's funds. The government's nonpooled cash and cash equivalents are considered to be cash on hand, demand deposits, interest-bearing time deposits, deposits in the Local Government Surplus Trust Fund Investment Pool administered by the Florida State Board of Administration, and deposits in the Florida SAFE Investment Pool administered by PMA Financial Network. Investments are held only in the pension trust funds and consist of debt and equity securities, immediate participation guarantee contracts (IPG), and short-term investments. 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.

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, 2018.

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 noncurrent 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, 2018 was \$949,542 in the Water and Sewer Fund and \$127,166 in the Solid Waste Fund.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted Assets

Certain proceeds of the City's state revolving fund loans in the enterprise fund, as well as certain resources set aside for loan repayment and the repayment of the refunding bonds, are classified as restricted assets on the statement of net position because the balance is maintained in separate bank accounts and its use is limited by applicable bond covenants. Proceeds related to the Purchase Agreement Note financing the purchase of new water meters are classified as restricted assets on the statement of net position because the balance is maintained in an escrow account and its use is limited to the purchase of water meters. In addition, customer deposits being held for water and sewer utility accounts are restricted.

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 acquisition value at the date of donation.

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

Buildings	15-40 Years
Water and Sewer Systems	15-40 Years
Public Domain Infrastructure	15-40 Years
Improvements	10-15 Years
Equipment	5-10 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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 qualify for reporting in this category.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

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.

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.

Likewise, any contributions made by the City to the OPEB plan before year-end but subsequent to the measurement date of the City's total OPEB liability are reported as deferred outflows of resources.

In addition to the above pension and OPEB related deferred inflows, the City also has one other type of deferred inflows of resources, 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.

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.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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:

Nonspendable – Fund balances are reported as nonspendable 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 they are to be used for specific purposes as established by City Management, that are neither considered restricted or committed.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Equity (Continued)

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

Accounting Estimates

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted for the General Fund, other major Governmental Funds, and Enterprise Funds on the modified accrual basis. 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, and the reduction of principal related to debt are treated as an expense in the year budgeted for the enterprise funds. Budgets are not prepared for the Pension Trust Funds or the Disaster Assistance Fund.

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

The appropriated budget is prepared by fund, function, and department. The Finance Director or City Administrator has the authority to approve interdepartmental transfers up to \$15,000. 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, 2018, the following departments reported expenditures in excess of budget appropriations in the General Fund:

Law Enforcement	\$129,898
Fire Control	11,987
Cemetery	16,103
Capital Outlay	410,901
Debt Service	71,079

Expenditures in excess of appropriations is a budgetary violation.

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS

At September 30, 2018, the bank balances of the City’s deposits totaled \$8,307,854.

The following is a reconciliation of deposits and investments to amounts shown on the statement of net position and statement of fiduciary net position as of September 30, 2018:

Deposits	\$ 8,148,320
Cash on Hand	700
Investments	<u>15,896,618</u>
Total	<u><u>\$ 24,045,638</u></u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 9,167,074
Restricted Cash and Cash Equivalents	1,416,729
Statement of Fiduciary Net Position:	
Cash	62,002
Investments	<u>13,399,833</u>
Total	<u><u>\$ 24,045,638</u></u>

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets. The City had the following fair value measurements as of September 30, 2018:

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value (Continued)

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by Fair Value Level:				
Common Stock	\$ 3,252,224	\$ 3,252,224	\$ -	\$ -
Foreign Stock	72,766	72,766	-	-
Unit Investment Trusts	153,474	153,474	-	-
U.S. Government Obligations	1,291,523	1,291,523	-	-
Mortgage/Asset-Backed				
Securities	965,244	-	965,244	-
Corporate Bonds	1,010,497	-	1,010,497	-
Foreign Bonds	64,594	-	64,594	-
Mutual Funds - Equity	3,944,677	3,944,677	-	-
Mutual Funds - Fixed Income	836,933	836,933	-	-
Total Investments				
Measured at Fair Value	11,591,932	<u>\$ 9,551,597</u>	<u>\$ 2,040,335</u>	<u>\$ -</u>
Investments Measured at				
Amortized Cost:				
Florida PRIME	443,970			
Florida SAFE	2,052,815			
Short-Term Investments	625,519			
Nonparticipating Interest-				
Earning Contract	<u>1,182,382</u>			
Total Investments Measured				
at Amortized Cost	<u>4,304,686</u>			
Total Investments	<u>\$ 15,896,618</u>			

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments of current operating funds to have maturities of no longer than 24 months. Investments of the City's fiduciary funds (pension plans) shall have a term appropriate to the need to fund future retiree benefits and in accordance with each plan's governing board's investment policy. As of September 30, 2018, the City had the following investments in debt securities and related maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Fiduciary:					
U.S. Government Obligations	\$ 1,291,523	\$ 207,792	\$ 926,193	\$ 157,538	\$ -
Mortgage/Asset-Backed Securities	965,244	-	-	-	965,244
Corporate Bonds	1,010,497	115,195	592,068	303,234	-
Foreign Bonds	64,594	-	64,594	-	-
Mutual Funds - Fixed Income	836,933	836,933	-	-	-
Total	<u>\$ 4,168,791</u>	<u>\$ 1,159,920</u>	<u>\$ 1,582,855</u>	<u>\$ 460,772</u>	<u>\$ 965,244</u>

Credit Risk

Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy minimizes credit risk by limiting the maximum percentage that may be invested in any one entity or instrument at any one time. Presented below is the actual rating as of September 30, 2018 for each type of investment in debt securities.

Investment Type	S&P/Moody's Rating	Fair Value
Governmental and Business Type Activities:		
SBA Florida PRIME	AAAm	\$ 443,970
PMA Florida SAFE	AAAm	2,052,815
U.S. Government Obligations	Aaa	1,291,523
Mortgage/Asset-Backed Securities	NR	965,244
Corporate Bonds	Aaa-Baa3	1,010,497
Foreign Bonds	Baa3	64,594
Mutual Funds - Equity	NR	3,944,677
Mutual Funds - Fixed Income	NR	836,933
Nonparticipating Interest-Earning Contract	NR	1,182,382
Total		<u>\$ 11,792,635</u>

NR = Not Rated

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

The City follows the guidelines of Florida Statute 218.415, which allows certain types of investments. The City's investment policy allows investment in government-sponsored agencies such as investment pools, tax-exempt municipal bonds, direct obligations, and bonds guaranteed by the U.S. government, with a minimum AA rating by Standard and Poor's.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

All deposit accounts of the City are placed in banks that qualify as a public depository, as required by law (Florida Security for Public Deposits Act, Chapter 280, Florida Statutes). Chapter 280 of the Florida Statutes provides that qualified public depositories must maintain eligible collateral having a market value equal to 25% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the 12 months immediately preceding the date of any computation of the balance. As such, the depository is not required to hold collateral in the City's name, nor specify which collateral is held for the City's benefit.

The Public Deposit Security Trust Fund, as created under the laws of the State of Florida, would be required to pay the City for any deposits not covered by depository insurance or collateral pledged by the depository as previously described. Florida Statutes and the City's investment policy authorize the City to use interest bearing time deposit, savings accounts, and money market accounts in qualified public depositories. All deposits are entirely insured.

The City invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2018, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 33.5% of the Florida PRIME's portfolio at September 30, 2018.

Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost, as a cash equivalent.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2018 was 33 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2018 was 72 days. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's. On September 30, 2018, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

The City's investment pool also includes the Florida Surplus Asset Fund Trust (Florida SAFE Investment Pool) is a common law trust organized in 2007 under the laws of the State of Florida. The trust is administered by Prudent Man Advisors, Inc. and an elected five member Board of Trustees that oversees all actions and decides on general policies. The trust includes a liquid money market-like investment called the "FL SAFE Fund" and one or more Term Series portfolios that have a fixed duration. Participants in the trust may invest in the Fund and any Term Series portfolios and in a value-added program called the "Fixed Income Investment Program," through which the participants may purchase investments for their own portfolio. The Fund is accounted as a Stable Net Position Value investment pool.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

As of September 30, 2018, FL SAFE investment pool weighted average maturity in days was 51 days. Florida SAFE meets all of the necessary criteria to elect to measure all of the investments in Florida SAFE at amortized cost, as a cash equivalent.

Concentration of Credit Risk

Assets are to be diversified to control the risk of loss resulting from concentration of assets in a specific maturity, issue, instruments, deals, or bank through which the investments are bought and sold.

Foreign Currency Risk

The City is not exposed to any foreign currency risk.

NOTE 4 RECEIVABLES

Receivables as of September 30, 2018, for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities			Total
	General	Water and Sewer	Solid Waste	Airport	
Utility and Franchise Taxes	\$ 164,520	\$ -	\$ -	\$ -	\$ 164,520
Restitution	142,441	-	-	-	142,441
Customer Charges	-	1,638,907	220,186	2,760	1,861,853
Miscellaneous	26,574	245	27,508	-	54,327
Gross Receivables	333,535	1,639,152	247,694	2,760	2,223,141
Allowance for Doubtful Accounts	-	(949,542)	(127,166)	-	(1,076,708)
Total	<u>\$ 333,535</u>	<u>\$ 689,610</u>	<u>\$ 120,528</u>	<u>\$ 2,760</u>	<u>\$ 1,146,433</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the governmental activities for the year ended September 30, 2018:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,334,812	\$ -	\$ -	\$ -	\$ 1,334,812
Construction In Progress	-	839,334	-	(712,965)	126,369
Total Capital Assets, Not Being Depreciated	1,334,812	839,334	-	(712,965)	1,461,181
Capital Assets, Being Depreciated:					
Buildings	1,811,273	-	-	-	1,811,273
Improvements Other than Buildings	3,605,620	-	-	712,965	4,318,585
Infrastructure	4,667,677	5,289	-	-	4,672,966
Furniture, Fixtures, and Equipment	2,030,286	773,446	(288,469)	-	2,515,263
Total Capital Assets, Being Depreciated	12,114,856	778,735	(288,469)	712,965	13,318,087
Less: Accumulated Depreciation for:					
Buildings	(1,000,295)	(44,511)	-	-	(1,044,806)
Improvements Other than Buildings	(1,763,252)	(299,129)	-	-	(2,062,381)
Infrastructure	(2,196,426)	(132,413)	-	-	(2,328,839)
Furniture, Fixtures, and Equipment	(1,710,431)	(114,068)	273,266	-	(1,551,233)
Total Accumulated Depreciation	(6,670,404)	(590,121)	273,266	-	(6,987,259)
Total Capital Assets, Being Depreciated, Net	5,444,452	188,614	(15,203)	712,965	6,330,828
Governmental Activities Capital Assets, Net	<u>\$ 6,779,264</u>	<u>\$ 1,027,948</u>	<u>\$ (15,203)</u>	<u>\$ -</u>	<u>\$ 7,792,009</u>

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

Governmental Activities:	
General Government	\$ 96,472
Public Safety	209,003
Transportation	231,504
Culture and Recreation	53,142
Total Depreciation Expense - Governmental Activities	<u>\$ 590,121</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 5 CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets for the business-type activities for the year ended September 30, 2018:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 380,778	\$ -	\$ -	\$ -	\$ 380,778
Construction In Progress	1,269,185	3,031,848	-	(494,684)	3,806,349
Total Capital Assets, Not Being Depreciated	1,649,963	3,031,848	-	(494,684)	4,187,127
Capital Assets, Being Depreciated:					
Buildings	18,988,169	-	-	-	18,988,169
Infrastructure and Improvements Other than Buildings	19,120,960	-	-	494,684	19,615,644
Furniture, Fixtures, and Equipment	4,924,717	672,852	(14,900)	-	5,582,669
Total Capital Assets, Being Depreciated	43,033,846	672,852	(14,900)	494,684	44,186,482
Less: Accumulated Depreciation for:					
Buildings	(8,313,025)	(310,421)	-	-	(8,623,446)
Infrastructure and Improvements Other than Buildings	(10,746,869)	(480,341)	-	-	(11,227,210)
Furniture, Fixtures, and Equipment	(4,368,747)	(222,639)	5,958	-	(4,585,428)
Total Accumulated Depreciation	(23,428,641)	(1,013,401)	5,958	-	(24,436,084)
Total Capital Assets, Being Depreciated, Net	19,605,205	(340,549)	(8,942)	494,684	19,750,398
Business-Type Activities Capital Assets, Net	<u>\$ 21,255,168</u>	<u>\$ 2,691,299</u>	<u>\$ (8,942)</u>	<u>\$ -</u>	<u>\$ 23,937,525</u>

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

Business-Type Activities:	
Water and Sewer	\$ 818,518
Solid Waste	88,646
Airport	106,237
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,013,401</u>

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 LONG-TERM LIABILITIES

Long-term liability activity for the governmental activities for the year ended September 30, 2018 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Lease Payable	\$ -	\$ 500,187	\$ (69,069)	\$ 431,118	\$ 96,326
Compensated Absences	204,639	117,297	(114,381)	207,555	20,756
Governmental Activities Long-Term Liabilities	<u>\$ 204,639</u>	<u>\$ 617,484</u>	<u>\$ (183,450)</u>	<u>\$ 638,673</u>	<u>\$ 117,082</u>

Long-term liabilities of the governmental activities, which include compensated absences, are generally liquidated by the General Fund.

Long-term liability activity for the business-type activities for the year ended September 30, 2018 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
2003 Refunding Bonds	\$ 1,575,000	\$ -	\$ (370,000)	\$ 1,205,000	\$ 385,000
Less: Bond Discount	(2,144)	-	2,144	-	-
Total Bonds Payable	1,572,856	-	(367,856)	1,205,000	385,000
State Revolving Fund Loan:					
DW140110	4,377,366	-	(188,388)	4,188,978	193,873
WW140110	148,743	37,240	(5,105)	180,878	8,840
Purchase Agreement Note	2,039,562	-	(177,007)	1,862,555	197,628
Capital Lease Payable	233,153	366,766	(147,147)	452,772	185,709
Compensated Absences	87,673	54,512	(62,544)	79,641	7,964
Business-Type Activities Long-Term Liabilities	<u>\$ 8,459,353</u>	<u>\$ 458,518</u>	<u>\$ (948,047)</u>	<u>\$ 7,969,824</u>	<u>\$ 979,014</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

The City's long-term liabilities for governmental activities and business-type activities at September 30, 2018 consisted of the following:

Description	Amount
Governmental Activities	
Capital leases payable for a front end loader, street sweeper, and radio equipment. Principal and interest is payable in annual installments of \$25,884 beginning in January 2018 at 3.19% through January 2022 for the front end loader. Principal and interest is payable in annual installments of \$45,195 beginning in May 2018 at 3.92% through May 2022 for the street sweeper. Principal and interest is payable in annual installments of \$38,308 beginning in November 2018 at 4.85% through November 2022 for the radio equipment.	\$ 431,118
Business-Type Activities	
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 refuse facility, and to pay a portion of the costs of issuance. Interest is payable semiannually 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.	1,205,000
State Revolving Fund (SRF) loan issued in the amount of \$4,638,238. Principal and interest is payable semiannually on June 1 and December 1 in the amount of \$156,910 until all amounts due have been fully paid. Interest rates range from 2.5% to 3.06%. The principal and interest is secured by net revenues of the water and sewer system.	4,188,978
State Revolving Fund (SRF) loan issued in the amount of \$1,000,000, of which \$185,983 has been drawn down as of September 30, 2018. The estimated amount of principal forgiveness is \$835,800. Principal and interest will be payable in equal semi-annual installments of \$4,884 until all amounts due have been fully paid with first repayment starting September 15, 2018, and an interest rate of 0.57%. The principal and interest is secured by net revenues of the water and sewer system.	180,878
Purchase agreement note issued in the amount of \$2,134,470, bearing interest at 2.42%. Principal and interest is payable monthly in the amount of \$20,046 beginning May 25, 2017 until all amounts due have been fully paid. This note was issued to finance the cost of new water meters. An escrow account was established to hold the funds generated from the loan. At September 30, 2018, the balance of the escrow account was \$20,230. The purchase of all water meters and the disbursement of all funds held in the escrow account should be completed by the end of October 2018.	1,862,555
Capital leases payable for four garbage trucks, and a vacuum truck. Principal and interest is payable in annual installments of \$76,393 beginning in April 2015 at 3.15% through April 2019 for two of the garbage trucks. Principal and interest is payable in annual installments of \$52,176 and \$27,988 beginning in June 2018 at 3.92% and 3.98% respectively, through June 2022 for the remaining two garbage trucks. Principal and interest is payable in annual installments of \$45,756 beginning in October 2014 at 3.20% through October 2019 for the vacuum truck.	452,772
Total Business Type Activities	<u>\$ 7,890,183</u>

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements for the business-type activities (excluding capital leases) as of September 30, 2018 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 785,341	\$ 207,048	\$ 992,389
2020	810,830	180,118	990,948
2021	841,649	151,665	993,314
2022	432,761	131,418	564,179
2023	444,173	120,005	564,178
2024-2028	2,056,819	423,300	2,480,119
2029-2033	1,416,787	201,374	1,618,161
2034-2038	649,051	22,743	671,794
Total	<u>\$ 7,437,411</u>	<u>\$ 1,437,671</u>	<u>\$ 8,875,082</u>

Capital Leases

The City entered into various municipal lease/purchase agreements as lessee for financing the acquisition of 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:

	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Asset:			
Equipment	\$ 513,552	\$ 250,000	\$ 715,128
Less: Accumulated Depreciation	(8,375)	(204,167)	(318,644)
Total	<u>\$ 505,177</u>	<u>\$ 45,833</u>	<u>\$ 396,484</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
2019	\$ 109,387	\$ 45,756	\$ 156,557
2020	109,387	45,756	80,164
2021	109,387	-	80,164
2022	109,387	-	80,164
2023	38,307	-	-
Total Minimum Lease Payments	475,855	91,512	397,049
Less: Amount Representing Interest	(44,737)	(4,215)	(31,574)
Present Value of Minimum Lease Payments	<u>\$ 431,118</u>	<u>\$ 87,297</u>	<u>\$ 365,475</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Rate Covenant

In accordance with the Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003, the City has a covenant to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals, and other charges for the use of the products, services and facilities of the water and sewer system which shall provide revenues sufficient to pay: (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, 2018, the City was in compliance with the debt covenant.

NOTE 7 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. 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.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2018 is as follows:

Receivable Funds	Payable Funds				Total
	Disaster Assistance	Water and Sewer	Solid Waste	Airport	
General Fund	\$ 827,468	\$ 100,946	\$ 88,129	\$ 262,904	\$ 1,279,447
Water and Sewer	-	-	-	1,593	1,593
Total	<u>\$ 827,468</u>	<u>\$ 100,946</u>	<u>\$ 88,129</u>	<u>\$ 264,497</u>	<u>\$ 1,281,040</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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Transfers for the year ended September 30, 2018 consisted of the following:

	Transfer Out from Fund
Transfer In to Funds	Capital Improvement
General	\$ 86,320
Street Reserve	358,664
Total	\$ 444,984

Transfers are used to: (1) provide matching funds for grants and contributions, and (2) use unrestricted General Fund and other fund revenues to finance activities which must be accounted for in another fund.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Grants

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

Lawsuits

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government. During the year ended September 30, 2014, the City was awarded restitution in the amount of \$145,000 related to the theft of City funds. The City is confident that these funds will be recovered and has recorded a receivable for the full amount owed.

Commitment

At September 30, 2018, the City had the following commitments:

	Contract Amount	Completed to Date	Balance
Hazen & Sawyer, P.C.:			
CDBG Lincoln Park Revitalization Project - SA #19	\$ 160,000	\$ 46,922	\$ 113,078
Lee Avenue Water & Sewer Improvements - SA #22	40,000	24,162	15,838
Watershed Management Plan - SA#27	300,000	83,325	216,675
General Engineering - SA#28	155,000	145,114	9,886
RSW Storage Pond-SA#30	85,000	53,047	31,953
Sanitary Collection System Bidding and Construction SA#31	787,000	24,058	762,942
Owens-Ames-Kimball Company			
Turf Runway Drainage - Construction	579,930	481,648	98,282
Go Underground Utilities L.L.C.:			
Lee Avenue Water & Sewer Improvements	299,938	261,377	38,561
AMI Equipment and Services:			
Water Meter Project	2,098,000	2,077,770	20,230
Hanson Professional Services:			
Turf Runway Drainage-Design	249,999	233,228	16,771
T-Hangar Taxi Lane Rehab -Design	165,534	163,634	1,900
Business Hangar Construction -Design	85,070	19,391	65,679
Total	\$ 5,005,471	\$ 3,613,676	\$ 1,391,795

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 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 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.

	<u>Police Officers' and Firefighters' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Total</u>
ASSETS			
Cash	\$ -	\$ 62,002	\$ 62,002
Contributions Receivable	54,578	-	54,578
Interest and Dividends Receivable	19,890	-	19,890
Investments	<u>10,603,235</u>	<u>2,796,598</u>	<u>13,399,833</u>
Total Assets	10,677,703	2,858,600	13,536,303
LIABILITIES			
Accounts Payable	<u>10,674</u>	<u>-</u>	<u>10,674</u>
NET POSITION			
Net Position Restricted for Pension Benefits	<u>\$ 10,667,029</u>	<u>\$ 2,858,600</u>	<u>\$ 13,525,629</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

	Police Officers' and Firefighters' Retirement System	Employees' Retirement System	Total
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Contributions:			
Employer	\$ 303,985	\$ 336,153	\$ 640,138
Plan Member	73,666	53,575	127,241
State of Florida	94,361	-	94,361
Total Contributions	<u>472,012</u>	<u>389,728</u>	<u>861,740</u>
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	118,239	(57,267)	60,972
Realized Gain on Sale of Investments	319,213	-	319,213
Interest and Dividends	292,210	132,152	424,362
Total Investment Income	<u>729,662</u>	<u>74,885</u>	<u>804,547</u>
Less: Investment Expenses	<u>(67,109)</u>	<u>(14,267)</u>	<u>(81,376)</u>
Net Investment Income	<u>662,553</u>	<u>60,618</u>	<u>723,171</u>
Total Additions	1,134,565	450,346	1,584,911
DEDUCTIONS			
Benefits	493,748	187,080	680,828
Administrative Expenses	38,325	54,848	93,173
Total Deductions	<u>532,073</u>	<u>241,928</u>	<u>774,001</u>
CHANGE IN NET POSITION	602,492	208,418	810,910
Net Position - Beginning of Year	<u>10,064,537</u>	<u>2,650,182</u>	<u>12,714,719</u>
NET POSITION - END OF YEAR	<u>\$ 10,667,029</u>	<u>\$ 2,858,600</u>	<u>\$ 13,525,629</u>

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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Plan Description (Continued)

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

- Agrees in writing to make member contributions;
- Employed by the City on a full-time basis and is not a police officer or firefighter;
- Completed 60 days of continuous service;
- Attained age 19;
- First day of the month (1/1 prior to 9/20/2011) coinciding with or next following the date the requirements are met.

As of the actuarial valuation date of January 1, 2018, membership consisted of:

Inactive Plan Members or Beneficiaries Currently	
Receiving Benefits	24
Inactive Plan Members Entitled to But Not Yet	
Receiving Benefits	7
Active Plan Members	34
 Total	 65

The vesting schedule for General Employees (effective as of September 20, 2011) is as follows:

Years of Service	Vesting %
Less than 2	0%
2	20
3	40
4	60
5	80
6 or More	100

Prior to September 20, 2011:

Years of Service	Vesting %
Less than 5	0%
5	50
6	60
7	70
8	80
9	90
10	100

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Plan Description (Continued)

Benefits at retirement are summarized as follows:

<u>Retirement</u>	<u>Benefit</u>
Normal (Age 65)	2.0% of average monthly compensation times credited
Early (not more than 10 Years Prior to	Annuity equals the accrued benefit based on service to early

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.

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

Contributions

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2018. 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, 2018 were as follows:

Total Pension Liability	\$ 3,795,234
Plan Fiduciary Net Position	<u>(2,858,600)</u>
City's Net Pension Liability	<u><u>\$ 936,634</u></u>

Changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at September 30, 2017	\$ 3,585,774	\$ 2,650,182	\$ 935,592
Changes for the Year:			
Service Cost	113,910	-	113,910
Interest	234,495	-	234,495
Difference Between Expected and Actual Experience	48,135	-	48,135
Contributions - Employer	-	336,153	(336,153)
Contributions - Employee	-	53,575	(53,575)
Net Investment Income	-	60,618	(60,618)
Benefit Payments, Including Refunds of Employee Contributions	(187,080)	(187,080)	-
Administrative Expenses	-	(54,848)	54,848
Net Changes	<u>209,460</u>	<u>208,418</u>	<u>1,042</u>
Balance at September 30, 2018	<u><u>\$ 3,795,234</u></u>	<u><u>\$ 2,858,600</u></u>	<u><u>\$ 936,634</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.32%
--	--------

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability of the City (Continued)

For the year ended September 30, 2018, the City recognized pension expense of \$332,410 for the plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 97,577	\$ 6,634
Changes of Assumptions	40,306	-
Differences Between Expected and Actual Investment Earnings	83,778	-
Total	\$ 221,661	\$ 6,634

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 94,053
2020	53,678
2021	39,041
2022	28,255
2023	-
Total	\$ 215,027

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 are increasing or decreasing over time relative to the total pension liability.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability of the City (Continued)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2018, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2018, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary Increases	4.50
Investment Rate of Return	6.50

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity - Large Cap	10.00 %	6.10 %
U.S. Equity - Small/Mid Cap	8.00	7.46
Non-U.S. Equity - Developed	7.00	6.81
U.S. Corporate Bonds - Core	35.00	2.10
U.S. Treasuries (Cash Equivalents)	40.00	0.60
Total	100.00 %	

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

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability of the City (Continued)

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's Net Pension Liability	\$ 1,311,466	\$ 936,634	\$ 425,763

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, 2018, and the current sharing pattern of costs between employer and employee.

All actuarial methods and assumptions used in the January 1, 2018 actuarial valuation report were the same as those used in the prior report:

Actuarial Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Retirement Age	Normal Retirement Age, Age 65
Mortality	RP-2000 Combined Healthy Participant Mortality Tables, by gender, with generational projections by scale BB

Police Officers' and Firefighters' Retirement System Plan

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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Police Officers' and Firefighters' Retirement System Plan (Continued)

Plan Description (Continued)

All full-time police officers and former paid firefighters are eligible to participate in the Plan. Effective June 1, 2006, the City and County consolidated fire suppression and emergency services, which resulted in the County maintaining these operations. All City firefighters became employees of the County, and were given the option to remain in the City's pension plan or be refunded their employee contributions. Several firefighters opted out of the Plan at that time. As of September 30, 2015, there were no remaining former paid firefighters contributing to the Plan.

At September 30, 2018, membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	24
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	4
Active Plan Members	15
	15
Total	43
	43

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);

Nonservice 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).

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Police Officers' and Firefighters' Retirement System Plan (Continued)

Benefits (Continued)

Death:

- Not Vested - Refund of members' contributions;
- Vested - Accrued benefit paid to beneficiary for ten (10) years;
- Post-retirement - According to option selected, if any.

Deferred Retirement Option Plan (DROP):

Any member who is eligible for normal retirement under the Plan may elect to defer receipt of such service retirement pension by participating in the DROP, while continuing their employment with the City for a period not to exceed 60 months. The amount of the benefit under the DROP is the same as the participant would have received under the Plan had he or she terminated his or her employment and elected to receive monthly benefit payments. Under the DROP, amounts representing the participant's monthly benefits are maintained within the Plan, earning a 6.5% annual rate of return or actual net rate of return earned by the Plan at the member's 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, 2018 is \$1,628,061.

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, 2018 was 69.47% 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 ended September 30, 2018 were \$94,361.

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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Police Officers' and Firefighters' Retirement System Plan (Continued)

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2017. 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 the measurement date were as follows:

Total Pension Liability	\$ 10,895,315
Plan Fiduciary Net Position	<u>(10,064,537)</u>
City's Net Pension Liability	<u><u>\$ 830,778</u></u>

Changes in net pension liability were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at September 30, 2016	\$ 10,595,446	\$ 9,121,588	\$ 1,473,858
Changes for the Year:			
Service Cost	118,715	-	118,715
Interest	816,370	-	816,370
Change in Benefit Terms	-	-	-
Changes of Assumptions	(139,464)	-	(139,464)
Contributions - Employer	-	235,123	(235,123)
Contributions - State	-	90,534	(90,534)
Contributions - Employee	-	62,742	(62,742)
Net Investment Income	-	1,087,071	(1,087,071)
Benefit Payments, Including Refunds of Employee Contributions	(495,752)	(497,056)	1,304
Administrative Expenses	-	(35,465)	35,465
Net Changes	<u>299,869</u>	<u>942,949</u>	<u>(643,080)</u>
Balance at September 30, 2017	<u><u>\$ 10,895,315</u></u>	<u><u>\$ 10,064,537</u></u>	<u><u>\$ 830,778</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.37%
--	--------

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Police Officers' and Firefighters' Retirement System Plan (Continued)

Net Pension Liability of the City (Continued)

For the year ended September 30, 2018, the City recognized pension expense of (\$111,196) for the plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 281,951
Changes of Assumptions	147,404	-
Differences between Expected and Actual Investment Earnings	59,537	-
City Pension Plan Contributions Subsequent to the Measurement Date	303,985	-
Total	\$ 510,926	\$ 281,951

The deferred outflows of resources related to the Pension Plan, totaling \$303,985 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 ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the Plan will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 5,206
2020	46,777
2021	(50,879)
2022	(76,114)
Total	\$ (75,010)

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 October 1, 2015, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2017, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary Increases	5.75-6.50
Investment Rate of Return	7.70

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Police Officers' and Firefighters' Retirement System Plan (Continued)

Net Pension Liability of the City (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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45.00 %	7.50 %
International Equity	15.00	8.50
Domestic Fixed Income	35.00	2.50
Global Fixed Income	5.00	3.50
	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.70%.

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 6.70%	Current Discount Rate 7.70%	1% Increase 8.70%
City's Net Pension Liability as of the Measurement Date	<u>\$ 1,857,582</u>	<u>\$ 830,778</u>	<u>\$ (24,421)</u>

**CITY OF ARCADIA, FLORIDA
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Police Officers' and Firefighters' Retirement System Plan (Continued)

Net Pension Liability of the City (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, 2017 and the current sharing pattern of costs between employer and employee.

Net Pension Liability of the City on the Plan's Fiscal Year-End

The components of the net pension liability of the City as it pertains to the Plan at September 30, 2018 were as follows:

Total Pension Liability	\$ 11,286,107
Plan Fiduciary Net Position	(10,667,029)
City's Net Pension Liability	<u>\$ 619,078</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.51%

The required schedule of changes in the 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 October 1, 2017, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2018, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary Increases	5.75-6.50
Investment Rate of Return	7.60

Mortality rate were based on the RP-2000 Combined Healthy Mortality Table, Sex Distinct.

The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study used to review the other significant assumptions; the study was dated April 22, 2010.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Police Officers' and Firefighters' Retirement System Plan (Continued)

Net Pension Liability of the City on the Plan's Fiscal Year-End (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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45.00 %	7.50 %
International Equity	15.00	8.50
Domestic Fixed Income	25.00	2.50
Global Fixed Income	5.00	3.50
Real Estate	10.00	4.50
	100.00%	

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.60%. The discount rate was lowered from 7.70% to 7.60%.

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 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
City's Net Pension Liability On the Plan's Fiscal Year-End	\$ 1,674,378	\$ 619,078	\$ (261,322)

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Police Officers' and Firefighters' Retirement System Plan (Continued)

Net Pension Liability of the City on the Plan's Fiscal Year-End (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, 2018 and the current sharing pattern of costs between employer and employee.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City is obligated to make available to qualified retired employees the option to maintain coverage with the group health, life, and dental insurance plans. The City of Arcadia Plan (the Plan) is a single-employer defined benefit OPEB plan. The Plan is currently being funded on a pay as you go basis. No trust or agency fund has been established for the Plan. The Plan does not issue a publicly available report.

Benefits Provided

The City provides health insurance benefits and health stipends (if applicable) to its eligible retired employees through a single-employer plan administered by the City. Eligible 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 coverage. If hired prior to September 12, 2006, the City pays 100% of the cost on behalf of the retiree only. If hired on or after September 12, 2006, the retiree is required to pay 100% of the premium cost. Upon obtaining eligibility for Medicare, the City will discontinue the premium subsidy, and retirees will have to discontinue the coverage under the City Plan. Retired employees hired prior to September 12, 2006 are eligible to receive a lifetime stipend of \$225 per month upon attaining eligibility for Medicare. No form of direct subsidy will be provided to employee hired on or after September 12, 2006.

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	18
Active Plan Members	76
Total	<u>94</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The City's Total OPEB liability was measured as of September 30, 2017 and was determined by an actuarial valuation as of September 30, 2017 using the alternative measurement method. The following table shows the City's total OPEB liability for the year ended September 30, 2018.

	Total OPEB Liability
Balances - October 1, 2017	\$ 2,056,556
Changes for the Year:	
Service Cost	35,669
Interest	62,011
Changes in Assumptions	(58,551)
Benefit Payments	(183,719)
Net Changes	(144,590)
Balances - September 30, 2018	\$ 1,911,966

Discount Rate Sensitivity

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB Plan Discount Rate	2.50 %	3.50 %	4.50 %
Total OPEB Liability	\$ 2,049,114	\$ 1,911,966	\$ 1,791,310

Healthcare Trend Rate Sensitivity

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Description	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB Plan Healthcare Cost Rate	6.00 %	7.00 %	8.00 %
Total OPEB Liability	\$ 1,841,433	\$ 1,911,966	\$ 1,992,792

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized an OPEB expense of \$39,129. At September 30, 2018, the City reported deferred outflows of resources related to OPEB totaling \$171,312 from employer contributions subsequent to the measurement date. This deferred outflow of resources will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019.

Actuarial Assumptions

The total OPEB liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	5.0%
Healthcare Cost	7.00% for 2018, 6.50% for 2019 and then gradually
Trend Rates	decreasing to an ultimate trend rate of 4.25%

The actuarial cost method used was the Entry Age Normal method.

Mortality rates were based on the RP-2000 Generational Combined Healthy Participant mortality tables, projected from the year 2000 using Projection Scale AA.

The discount rate used to measure the total OPEB liability was 3.50%, based on yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (or equivalent quality on another rating scale).

Since the most recent GASB 45 valuation, the following changes have been made:

- The discount rate was changed from 3.10% as of the beginning of the measurement period to 3.50% as of September 30, 2017 (based on the Long-Term Municipal Bond rate). This change decreased the total OPEB liability.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 12 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended September 30, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This change requires the restatement of the September 30, 2017 net position balance as follows:

	Governmental Activities	Business- Type Activities	Water and Sewer Fund	Solid Waste Fund
Net Position - September 30, 2017, as Previously Reported	\$ 9,941,146	\$ 20,942,931	\$ 18,721,577	\$ 257,938
Cumulative Effect of Application of GASB 75	<u>(627,083)</u>	<u>(370,732)</u>	<u>(265,632)</u>	<u>(105,100)</u>
Net Position - September 30, 2017, as Restated	<u>\$ 9,314,063</u>	<u>\$ 20,572,199</u>	<u>\$ 18,455,945</u>	<u>\$ 152,838</u>

NOTE 13 DEFICITS

The Disaster Assistance Fund has a fund balance deficit of \$835,168. This deficit is due amounts spent in anticipation of FEMA grant and other insurance reimbursements related to hurricane Irma.

NOTE 14 SUBSEQUENT EVENTS

After fiscal year-end, the City entered into several debt agreements for the purchase of equipment totaling \$381,613.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,591,131	\$ 2,682,712	\$ 2,687,316	\$ 4,604
Charges for Services	391,732	427,625	428,697	1,072
Permits, Fees, and Assessments	694,892	724,669	723,905	(764)
Intergovernmental	1,899,351	1,005,334	908,481	(96,853)
Fines and Forfeitures	66,000	77,125	83,271	6,146
Interest Revenue	10,000	34,540	39,053	4,513
Other Revenues	268,600	345,250	440,558	95,308
Total Revenues	<u>5,921,706</u>	<u>5,297,255</u>	<u>5,311,281</u>	<u>14,026</u>
EXPENDITURES				
General Government:				
Legislative	53,496	53,495	50,209	3,286
Executive	358,939	318,939	301,788	17,151
Financial and Administrative	194,203	179,203	174,977	4,226
Garage	102,714	97,714	91,932	5,782
Way Building	42,847	57,847	47,575	10,272
Legal	55,600	65,600	65,550	50
Comprehensive Planning	159,618	77,783	73,764	4,019
Code Enforcement	-	106,835	100,574	6,261
Other Governmental Services	443,933	331,638	284,750	46,888
Total General Government	<u>1,411,350</u>	<u>1,289,054</u>	<u>1,191,119</u>	<u>97,935</u>
Public Safety:				
Law Enforcement	1,595,893	1,645,651	1,775,549	(129,898)
Fire Control	531,494	503,620	515,607	(11,987)
School Crossing Guard	19,866	19,866	16,215	3,651
Total Public Safety	<u>2,147,253</u>	<u>2,169,137</u>	<u>2,307,371</u>	<u>(138,234)</u>
Physical Environment:				
Cemetery	57,323	57,323	73,426	(16,103)
Transportation:				
Roads and Streets	567,018	567,018	515,160	51,858
Traffic Control	118,412	78,412	68,718	9,694
Total Transportation	<u>685,430</u>	<u>645,430</u>	<u>583,878</u>	<u>61,552</u>
Culture and Recreation:				
Golf Course	477,196	570,973	568,995	1,978
Parks	309,975	282,296	277,357	4,939
Mobile Home Park	172,899	122,899	118,529	4,370
Total Culture and Recreation	<u>960,070</u>	<u>976,168</u>	<u>964,881</u>	<u>11,287</u>
Capital Outlay	1,689,899	650,901	1,061,802	(410,901)
Debt Service:				
Principal Retirement	-	-	69,069	(69,069)
Interest	-	-	2,010	(2,010)
Total Debt Service	<u>-</u>	<u>-</u>	<u>71,079</u>	<u>(71,079)</u>
Total Expenditures	<u>6,951,325</u>	<u>5,788,013</u>	<u>6,253,556</u>	<u>(465,543)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,029,619)	(490,758)	(942,275)	(451,517)
OTHER FINANCING SOURCES (USES)				
Transfers In	598,501	284,821	86,320	(198,501)
Transfers Out	-	-	-	-
Issuance of Debt	-	-	500,187	500,187
Total Other Financing Sources (Uses)	<u>598,501</u>	<u>284,821</u>	<u>586,507</u>	<u>301,686</u>
NET CHANGE IN FUND BALANCE	(431,118)	(205,937)	(355,768)	(149,831)
Fund Balance - Beginning of Year	<u>2,606,338</u>	<u>2,606,338</u>	<u>2,606,338</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,175,220</u>	<u>\$ 2,400,401</u>	<u>\$ 2,250,570</u>	<u>\$ (149,831)</u>

**CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
STREET RESERVE FUND
YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenue	\$ -	\$ -	\$ 1,181	\$ 1,181
EXPENDITURES				
Capital Outlay	700,000	649,192	649,192	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(700,000)</u>	<u>(649,192)</u>	<u>(648,011)</u>	<u>1,181</u>
OTHER FINANCING SOURCES				
Transfers In	-	356,664	358,664	2,000
NET CHANGE IN FUND BALANCE	(700,000)	(292,528)	(289,347)	3,181
Fund Balance - Beginning of Year	<u>290,525</u>	<u>290,525</u>	<u>290,525</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (409,475)</u></u>	<u><u>\$ (2,003)</u></u>	<u><u>\$ 1,178</u></u>	<u><u>\$ 3,181</u></u>

NOTE 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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS —
EMPLOYEES' RETIREMENT PLAN
LAST FIVE FISCAL YEARS**

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service Cost	\$ 113,910	\$ 108,246	\$ 52,713	\$ 49,670	\$ 68,971
Interest on Total Pension Liability	234,495	219,943	205,389	195,956	202,194
Differences Between Expected and Actual Experience	48,135	76,991	(18,274)	66,851	(193,138)
Changes of Assumptions	-	-	111,019	-	-
Benefit Payments, Including Refunds of Employee Contributions	(187,080)	(186,860)	(178,227)	(162,803)	(146,834)
Net Change in Total Pension Liability	<u>209,460</u>	<u>218,320</u>	<u>172,620</u>	<u>149,674</u>	<u>(68,807)</u>
Total Pension Liability - Beginning of Year	<u>3,585,774</u>	<u>3,367,454</u>	<u>3,194,834</u>	<u>3,045,160</u>	<u>3,113,967</u>
Total Pension Liability - End of Year	<u>\$ 3,795,234</u>	<u>\$ 3,585,774</u>	<u>\$ 3,367,454</u>	<u>\$ 3,194,834</u>	<u>\$ 3,045,160</u>
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 336,153	\$ 267,632	\$ 226,870	\$ 198,247	\$ 143,577
Contributions - Employee	53,575	49,297	50,387	46,964	30,416
Net Investment Income	60,618	143,978	154,439	(64,042)	99,110
Benefit Payments, Including Refunds of Member Contributions	(187,080)	(186,860)	(178,227)	(162,803)	(146,834)
Administrative Expenses	(54,848)	(66,045)	(55,661)	(2,648)	(2,735)
Net Change in Plan Fiduciary Net Position	<u>208,418</u>	<u>208,002</u>	<u>197,808</u>	<u>15,718</u>	<u>123,534</u>
Plan Fiduciary Net Position - Beginning of Year	<u>2,650,182</u>	<u>2,442,180</u>	<u>2,244,372</u>	<u>2,228,654</u>	<u>2,105,120</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 2,858,600</u>	<u>\$ 2,650,182</u>	<u>\$ 2,442,180</u>	<u>\$ 2,244,372</u>	<u>\$ 2,228,654</u>
City's Net Pension Liability	<u>\$ 936,634</u>	<u>\$ 935,592</u>	<u>\$ 925,274</u>	<u>\$ 950,462</u>	<u>\$ 816,506</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.32%	73.91%	72.52%	70.25%	73.19%
Covered Payroll	\$ 1,066,573	\$ 944,307	\$ 952,475	\$ 640,695	\$ 594,195
City's Net Pension Liability as a Percentage of Covered Payroll	87.82%	99.08%	97.14%	148.35%	137.41%

Note: Additional years will be included as the years become available.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF CONTRIBUTIONS — EMPLOYEES' RETIREMENT PLAN
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 278,415	\$ 267,630	\$ 226,870	\$ 158,901	\$ 151,965
Contributions in Relation to the Actuarially Determined Contribution	<u>336,153</u>	<u>267,632</u>	<u>226,870</u>	<u>198,247</u>	<u>143,577</u>
Contribution Deficiency (Excess)	<u>\$ (57,738)</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (39,346)</u>	<u>\$ 8,388</u>
Covered Payroll	\$ 1,066,573	\$ 944,307	\$ 952,475	\$ 640,695	\$ 594,195
Contributions as a Percentage of Covered Payroll	31.52%	28.34%	23.82%	30.94%	24.16%

NOTES:

Valuation Date January 1, 2018

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:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	9 Years
Asset Valuation Method:	Book Value
Salary Increases:	4.50%
Investment Rate of Return:	6.50%
Retirement Age:	Normal Retirement Age, Age 65
Inflation:	2.5% per Year
Mortality:	RP-2000 Combined Healthy Participant Mortality Tables, by gender, with generational projections by scale BB

Additional years will be included as the years become available.

CITY OF ARCADIA, FLORIDA
SCHEDULE OF PENSION INVESTMENT RETURNS — EMPLOYEES' RETIREMENT PLAN
LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	4.24%	6.13%	5.16%	(0.29%)	4.87%

Additional years will be included as the years become available.

CITY OF ARCADIA, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS —
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM
LAST SIX FISCAL YEARS

Plan Reporting Period Ended	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Employer Measurement Date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
TOTAL PENSION LIABILITY						
Service Cost	\$ 144,270	\$ 118,714	\$ 124,084	\$ 117,101	\$ 119,940	\$ 111,056
Interest on Total Pension Liability	831,024	816,370	805,108	768,557	741,182	717,978
Differences between Expected and Actual Experience	(186,644)	(239,400)	(367,052)	132,719	-	-
Changes of Assumptions	96,277	99,936	242,339	93,816	-	-
Benefit Payments, Including Refunds of Employee Contributions	(494,135)	(495,752)	(552,372)	(517,422)	(514,785)	(580,930)
Net Change in Total Pension Liability	390,792	299,868	252,107	594,771	346,337	248,104
Total Pension Liability - Beginning of Year	10,895,315	10,595,447	10,343,340	9,748,569	9,402,232	9,154,128
Total Pension Liability - End of Year	<u>\$ 11,286,107</u>	<u>\$ 10,895,315</u>	<u>\$ 10,595,447</u>	<u>\$ 10,343,340</u>	<u>\$ 9,748,569</u>	<u>\$ 9,402,232</u>
PLAN FIDUCIARY NET POSITION						
Contributions - Employer	\$ 303,985	\$ 235,123	\$ 309,290	\$ 238,735	\$ 381,020	\$ 247,435
Contributions - State	94,361	90,534	95,602	202,172	-	109,590
Contributions - Employee	73,666	62,742	55,177	52,059	48,565	56,484
Net Investment Income	662,553	1,087,071	552,032	(23,626)	555,671	888,134
Benefit Payments, Including Refunds of Member Contributions	(493,748)	(497,056)	(552,372)	(517,422)	(514,820)	(580,930)
Administrative Expenses	(38,325)	(35,465)	(35,465)	(40,910)	(32,798)	(30,115)
Net Change in Plan Fiduciary Net Position	602,492	942,949	424,264	(88,992)	437,638	690,598
Plan Fiduciary Net Position - Beginning of Year	10,064,537	9,121,588	8,697,324	8,786,316	8,348,678	7,658,080
Plan Fiduciary Net Position - End of Year	<u>\$ 10,667,029</u>	<u>\$ 10,064,537</u>	<u>\$ 9,121,588</u>	<u>\$ 8,697,324</u>	<u>\$ 8,786,316</u>	<u>\$ 8,348,678</u>
City's Net Pension Liability	<u>\$ 619,078</u>	<u>\$ 830,778</u>	<u>\$ 1,473,859</u>	<u>\$ 1,646,016</u>	<u>\$ 962,253</u>	<u>\$ 1,053,554</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.51%	92.37%	86.09%	84.09%	90.13%	88.79%
Covered Payroll	\$ 752,655	\$ 653,565	\$ 574,759	\$ 748,459	\$ 505,532	\$ 588,375
City's Net Pension Liability as a Percentage of Covered Payroll	82.25%	127.11%	256.43%	219.92%	190.34%	179.06%

Note: Additional years will be included as the years become available.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF CONTRIBUTIONS —
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM
LAST SIX FISCAL YEARS**

Reporting Period Ending	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Actuarially Determined Contribution	\$ 450,615	\$ 371,814	\$ 403,079	\$ 344,295	\$ 381,020	\$ 357,026
Contributions in Relation to the Actuarially Determined Contribution	398,346	325,658	404,892	344,295	381,020	357,026
Contribution Deficiency (Excess)	<u>\$ 52,269</u>	<u>\$ 46,156</u>	<u>\$ (1,813)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 752,655	\$ 653,565	\$ 574,759	\$ 748,459	\$ 505,532	\$ 588,375
Contributions as a Percentage of Covered Payroll	52.93%	49.83%	70.45%	46.00%	75.37%	60.68%

Notes:

Valuation Date October 1, 2016

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: 21 Years (as of October 1, 2016)

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 de minimis bias that is above or below the market value of assets.

Inflation: 2.5% per Year

Salary Increases:

Years of Service	Increase in Compensation
Less than 5	6.50 %
5-10	6.25
10-15	6.00
More than 15	5.75

Interest Rate: 7.8% per Year, Compounded Annually, Net of Investment-Related Expenses

Payroll Growth: None

Retirement Age:

Number of Years after First Eligibility for Normal	Probability of Retirement
0	50 %
1	50
2	100

Early Retirement: Beginning with eligibility for Early Retirement (age 45 and 6 years of Credited Service), Members are assumed to retire at the rate of 10% per year with immediate subsidized benefits.

Additional years will be included as the years become available.

**CITY OF ARCADIA, FLORIDA
 SCHEDULE OF PENSION INVESTMENT RETURNS —
 POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM
 LAST SIX FISCAL YEARS**

Reporting Period Ending	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<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	6.77%	11.99%	6.56%	(0.37%)	6.80%	11.69%

Note: Additional years will be included as the years become available.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2018**

Employer Measurement Date	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 35,669
Interest	62,011
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	(58,551)
Benefit Payments	<u>(183,719)</u>
Net Change in Total OPEB Liability	(144,590)
Total OPEB Liability - Beginning	<u>2,056,556</u>
Total OPEB Liability - Ending	<u>\$ 1,911,966</u>

Covered Employee Payroll \$ 2,378,033

Total OPEB Liability as a Percentage of the
Covered Employee Payroll 80.40 %

Notes to Schedule:

The OPEB plan is not administered through a trust, and there are no assets accumulated in trust for payment of benefits.

Benefit changes: There have been no substantive plan provision changes since the last full valuation. Changes of assumptions and other inputs include the change in the discount rate from 3.10% as of the beginning of the measurement period to 3.50% as of September 30, 2017. This change is reflected in the Schedule of Changes in Total OPEB Liability

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE —
CAPITAL IMPROVEMENT FUND
YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 584,384	\$ 584,384	\$ 582,179	\$ (2,205)
Interest Revenue	-	-	39,286	39,286
Total Revenues	<u>584,384</u>	<u>584,384</u>	<u>621,465</u>	<u>37,081</u>
EXPENDITURES				
General Government	554,834	502,784	-	(502,784)
Capital Outlay	30,000	30,000	2,095	(27,905)
Total Expenditures	<u>584,834</u>	<u>532,784</u>	<u>2,095</u>	<u>(530,689)</u>
EXCESS OF REVENUES OVER EXPENDITURES	29,550	81,600	621,465	539,865
OTHER FINANCING USES				
Transfers Out	-	(444,984)	(444,984)	-
NET CHANGE IN FUND BALANCE	29,550	(363,384)	176,481	539,865
Fund Balance - Beginning of Year	<u>2,189,826</u>	<u>2,189,826</u>	<u>2,189,826</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,219,376</u></u>	<u><u>\$ 1,826,442</u></u>	<u><u>\$ 2,366,307</u></u>	<u><u>\$ 539,865</u></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, 2018

	Police Officers' and Firefighters' Retirement System	Employees' Retirement Plan	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ -	\$ 62,002	\$ 62,002
Contributions Receivable	54,578	-	54,578
Interest and Dividends Receivable	19,890	-	19,890
Investments:			
Short-Term Investments	625,519	-	625,519
Common Stock	3,252,224	-	3,252,224
Foreign Stock	72,766	-	72,766
Unit Investment Trusts	153,474	-	153,474
U.S. Government Obligations	1,291,523	-	1,291,523
Mortgage/Asset-Backed Securities	965,244	-	965,244
Corporate Bonds	1,010,497	-	1,010,497
Foreign Bonds	64,594	-	64,594
Mutual Funds - Equity	3,167,394	777,283	3,944,677
Mutual Funds - Fixed Income	-	836,933	836,933
Nonparticipating Interest-Earning Contract	-	1,182,382	1,182,382
Total Investments	<u>10,603,235</u>	<u>2,796,598</u>	<u>13,399,833</u>
Total Assets	10,677,703	2,858,600	13,536,303
LIABILITIES			
Accounts Payable	<u>10,674</u>	<u>-</u>	<u>10,674</u>
NET POSITION			
Net Position Restricted for:			
Pension Benefits	<u>\$ 10,667,029</u>	<u>\$ 2,858,600</u>	<u>\$ 13,525,629</u>

**CITY OF ARCADIA, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018**

	Police Officers' and Firefighters' Retirement System	Employees' Retirement Plan	Total
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Contributions:			
Employer	\$ 303,985	\$ 336,153	\$ 640,138
State of Florida	94,361	-	94,361
Plan Members	73,666	53,575	127,241
Total Contributions	<u>472,012</u>	<u>389,728</u>	<u>861,740</u>
Investment Income:			
Net Increase in Fair Value of Investments	118,239	(57,267)	60,972
Realized Gain on Sale of Investments	319,213	-	319,213
Interest and Dividends	292,210	132,152	424,362
Total Investment Income	<u>729,662</u>	<u>74,885</u>	<u>804,547</u>
Less: Investment Expenses	<u>(67,109)</u>	<u>(14,267)</u>	<u>(81,376)</u>
Net Investment Income	<u>662,553</u>	<u>60,618</u>	<u>723,171</u>
Total Additions	1,134,565	450,346	1,584,911
DEDUCTIONS			
Benefits	493,748	187,080	680,828
Administrative Expenses	38,325	54,848	93,173
Total Deductions	<u>532,073</u>	<u>241,928</u>	<u>774,001</u>
CHANGE IN NET POSITION	602,492	208,418	810,910
Net Position - Beginning of Year	<u>10,064,537</u>	<u>2,650,182</u>	<u>12,714,719</u>
NET POSITION - END OF YEAR	<u>\$ 10,667,029</u>	<u>\$ 2,858,600</u>	<u>\$ 13,525,629</u>



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

Honorable Mayor and
Members of City Council
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 (City), as of and for the year ended September 30, 2018, 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 7, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2018-001 and 2018-002 that we consider to be material weaknesses.

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

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 of Arcadia's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Sebring, Florida
June 7, 2019



MANAGEMENT LETTER

Honorable Mayor and
Members of the City Council
City of Arcadia, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Arcadia, Florida (City), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 7, 2019.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 7, 2019, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report except as noted in the schedule of findings and responses.

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. See Note 1 to the financial statements.

Honorable Mayor and
Members of the City Council
City of Arcadia, Florida

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify 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 Section 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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 review of financial information provided by the same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. See item 2018-004 in the accompanying schedule of findings and responses.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that were required to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. See item 2018-003 in the accompanying schedule of findings and responses.

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, City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Sebring, Florida
June 7, 2019

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2018**

STATUS OF PRIOR YEAR FINDINGS

Prior Year Findings		Current	2016-2017	2015-2016
		Year Finding #	Year Finding #	Year Finding #
Bank Reconciliations	Material Weakness	2018-001	2017-001	2016-001
Account Reconciliations and Audit Adjustments	Material Weakness	2018-002	2017-002	2016-002
Covenant Compliance	Control Deficiency	N/A	2017-003	2016-005
Journal Entries	Control Deficiency	N/A	2017-004	2016-006

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2018-001 – Bank Reconciliations

Type of Finding

- Material Weakness in Internal Control over Financial Reporting

Condition: The City’s bank accounts associated with pooled cash were not completely reconciled to the general ledger in a timely manner and the reconciliation contained errors.

Criteria or specific requirement: The City’s management is responsible for establishing and maintaining internal controls over cash transactions. Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over receipts, disbursements, and other transactions.

Context: Testing of internal controls over financial reporting and substantive testing of the bank reconciliations identified the deficiency.

Effect: Not reconciling the accounts on a monthly basis could result in errors or other problems, including misstatement of pooled cash, other cash balances, or other general ledger accounts. Delays in reconciling accounts completely also results in inefficiency due to the additional time needed to research and resolve differences.

Cause: The City is working through staffing constraints, which has caused a backlog in the reconciliation process. Cash posting issues included errors related to water and sewer transactions and duplication of one receipt. Additionally, certain bank reconciliation items were not accounted for appropriately.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2018-001 – Bank Reconciliations (Continued)

Recommendation: Management should improve on its bank reconciliation process with more accurate and timely reconciliations. The City should consistently implement internal control processes requiring that all reconciliations be reviewed and approved by an individual not responsible for the preparation of the item.

Views of responsible officials and planned corrective actions: Management concurs with this finding and is intent on correcting it and completing all reconciliations on a monthly basis. Following past audit findings for this item, management made it a priority to have a dedicated Reconciliation Clerk whose main task is the completion of monthly reconciliations of both the bank accounts and all balance sheet accounts. This position was filled during the 2017-18 year, but we were unable to keep it filled long-term. We have continued to look for the right person and were able to hire that person on May 25, 2019 with the direct participation of the City Administrator. Management continues to strengthen procedures and practices to ensure that reconciliations and entries are being completed on a monthly basis.

2018-002 – Account Reconciliations and Audit Adjustments

Type of Finding

- Material Weakness in Internal Control over Financial Reporting

Condition: In prior years, material adjustments to correct errors in the City's financial statements were identified during the audit. These types of errors were identified again in the current year and resulted in material adjustments to the City's financial statements.

Our audit procedures also detected that several balance sheet accounts are not reconciled on a monthly basis. Accounts including certain grant and derived tax revenues and receivables, accounts and retainage payable, interfund balances, and accrued liabilities did not reconcile to supporting documentation.

Criteria or specific requirement: The City's management is responsible for establishing and maintaining internal controls to ensure that transactions are properly recorded and reported in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Context: Testing of account balances identified the errors.

Effect: Assets, liabilities, revenues, and expenditures/expenses were misstated.

Cause: The City is working through staffing constraints, which has caused a backlog in the reconciliation process. Account reconciliations were either not performed timely or at all for several account balances. Payables near and after fiscal year-end were not reviewed to determine the period in which they should be recorded.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2018-002 – Account Reconciliations and Audit Adjustments (Continued)

Recommendation: Account reconciliations should be prepared monthly by a staff member and reviewed by a member of management, allowing management the ability to perform analytical analysis and to identify unusual account balances. Reconciliations should be performed for all balance sheet accounts including accounts receivables, allowance for doubtful accounts, prepaid or other assets, accounts and retainage payable, accrued liabilities, customer deposits, long term debt, and other accounts. Trial balances should be reviewed to ensure that all accounts are reconciled and any related adjustments are posted. Management should evaluate revenue transactions to ensure revenue is recognized in accordance with GAAP.

Views of responsible officials and planned corrective actions: Management concurs with this finding and has made it a priority to ensure that reconciliations of all balance sheet accounts are completed monthly.

2018-003: Security for Public Deposits

Type of Finding

- Compliance

Condition: The Public Deposit Identification and Acknowledgement Form was not prepared for two bank accounts that were opened during the current year.

Criteria or specific requirement: Chapter 280.17(2)(c), Florida Statutes, requires public depositors to maintain a current Public Deposit Identification and Acknowledgement Form, DFS-J1-1295 as a valuable record. This form is mandatory for filing a claim with the Florida Chief Financial Officer upon default or insolvency of a qualified public depository.

Context: Testing of compliance with Chapter 280 identified the deficiency.

Effect: The City is not in compliance with Chapter 280.17(2)(c), Florida Statutes. Without the required documentation, the City allows itself to be susceptible to financial loss upon default or insolvency of a qualified public depository.

Cause: Management was unfamiliar with some of the requirements of Chapter 280, Florida Statutes.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2018-003: Security for Public Deposits (Continued)

Recommendation: We recommend that management review the provisions of Chapter 280, Florida Statutes, and establish procedures to ensure that the required forms are completed and maintained, and submitted to the Florida Chief Financial Officer, as applicable.

Views of Responsible Officials: Management is in agreement that the Public Deposit Identification and Acknowledgement Form should be prepared and submitted for every bank account that is open. Two that were opened – Waste Water Debt Service Account and Fathom Deposit Account did not have a form filled out. Processes have been put in place that will ensure this does not happen again. While the form was not filled out and submitted to the bank for these two accounts, all other internal controls the City has for opening new bank accounts were followed.

2018-004: Budget

Type of Finding

- Compliance
- Internal Control over Compliance

Condition: For the year ended September 30, 2018 the General Fund’s law enforcement, fire control, cemetery, capital outlay, and debt service departments exceeded their respective final budgets. Furthermore, total General Fund expenditures exceeded the final appropriated budget.

Criteria or specific requirement: Section 166.241, Florida Statutes, sets forth the requirements for the City’s budget. The City’s Budget Process and Budget Amendment Policy states that the legal level of budgetary control is at the department level for the General Fund and the fund level for all other funds.

Context: Testing of compliance with budgetary requirements identified the deficiency.

Effect: The General Fund, in total, along with its law enforcement, fire control, cemetery, and roads and streets departments reported expenditures in excess of the respective final budgets.

Cause: Expenditures exceeded budget due to adjustments to account for capital assets purchased through capital lease, additional pension expense after pension valuations were completed for the current year, and an oversight during preparation of a budget amendment.

Recommendation: Budgets should be monitored at the department level, and budget amendments should be requested before expenditures are incurred in excess of the department’s budget. Budgets should include capital outlay acquired through debt financing and the related debt service expenditures.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2018-004: Budget (Continued)

Views of Responsible Officials: The City's annual budget and staying within that budget continue to be very important to Management. The City Council approves and adopts a budget each year and all departments take very seriously staying within those budgeted allotments. The departments that went over were not due to items being spent that were not budgeted. It had to do with:

1. The accounting for lease purchases for Streets Department and the Police Department.
2. The Police Department and Police and Fire pension use of a credit amount that changed between the budget adoption and the Pension Actuarial publication.
3. Cemetery had an additional expense after the budget was adopted that was properly approved, but when the Budget Amendment was prepared it did not get added.



INDEPENDENT ACCOUNTANTS' REPORT

Honorable Mayor and
Members of the City Council
City of Arcadia, Florida

We have examined the City of Arcadia, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2018.

This report is intended solely for the information and use of the City of Arcadia, Florida 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sebring, Florida
June 7, 2019