

CITY OF ARCADIA, FLORIDA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2020



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**CITY OF ARCADIA, FLORIDA
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YEAR ENDED SEPTEMBER 30, 2020**

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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, 2020, 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, 2020, 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.

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 on page 66, information on pension benefits on pages 68 through 74, and information on other postemployment benefits on page 75 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

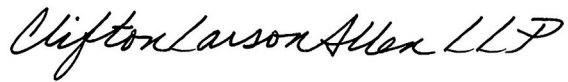
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, *Local Governmental Entity Audits*, Rules of the Auditor General of the State of Florida, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance 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 May 6, 2021, 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
May 6, 2021

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(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, 2020, by \$35,251,329 (net position). Of this amount, \$4,204,572 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2020, the City's governmental funds reported combined ending fund balances of \$3,906,221, for a decrease of \$290,107 in comparison with the prior year. Of this amount, \$1,815,098 is available for spending at the City's discretion (unassigned fund balance).
- The City's total net position increased \$2,125,209. Net position for governmental activities increased \$501,402, while net position for business-type activities increased \$1,623,807.
- Total debt for the City increased \$3,167,205 during the current fiscal year as a result of new state revolving fund loans incurred in the current year.

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, 2020
(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 deferred outflows of resources and liabilities and deferred inflows of resources, 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, 2020
(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. 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 2019-2020.

For fiscal year 2019-2020, the City adopted annual appropriated budgets for the General Fund. A Budgetary comparison schedule has 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, 2020
(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 \$35,251,329 at the close of the most recent fiscal year.

CITY OF ARCADIA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 4,330,003	\$ 4,905,678	\$ 4,787,588	\$ 6,865,104	\$ 9,117,591	\$ 11,770,782
Capital Assets	9,065,331	8,499,058	33,451,930	24,901,642	42,517,261	33,400,700
Total Assets	13,395,334	13,404,736	38,239,518	31,766,746	51,634,852	45,171,482
Deferred Outflows of Resources	952,935	837,683	161,080	264,376	1,114,015	1,102,059
Long-Term Liabilities						
Outstanding	3,006,092	2,900,264	11,115,043	7,918,225	14,121,135	10,818,489
Other Liabilities	294,362	711,380	2,774,262	1,241,608	3,068,624	1,952,988
Total Liabilities	3,300,454	3,611,644	13,889,305	9,159,833	17,189,759	12,771,477
Deferred Inflows of Resources	225,987	310,349	81,792	65,595	307,779	375,944
Net Position:						
Net Investment in Capital Assets	8,700,768	7,864,325	21,356,632	17,648,982	30,057,400	25,513,307
Restricted	-	1,202	989,357	976,613	989,357	977,815
Unrestricted	2,121,060	2,454,899	2,083,512	4,180,099	4,204,572	6,634,998
Total Net Position	\$ 10,821,828	\$ 10,320,426	\$ 24,429,501	\$ 22,805,694	\$ 35,251,329	\$ 33,126,120

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

Statement of Position (Continued)

By far, the largest portion of the City's net position (85%) 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, \$989,357, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$4,204,572, 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.

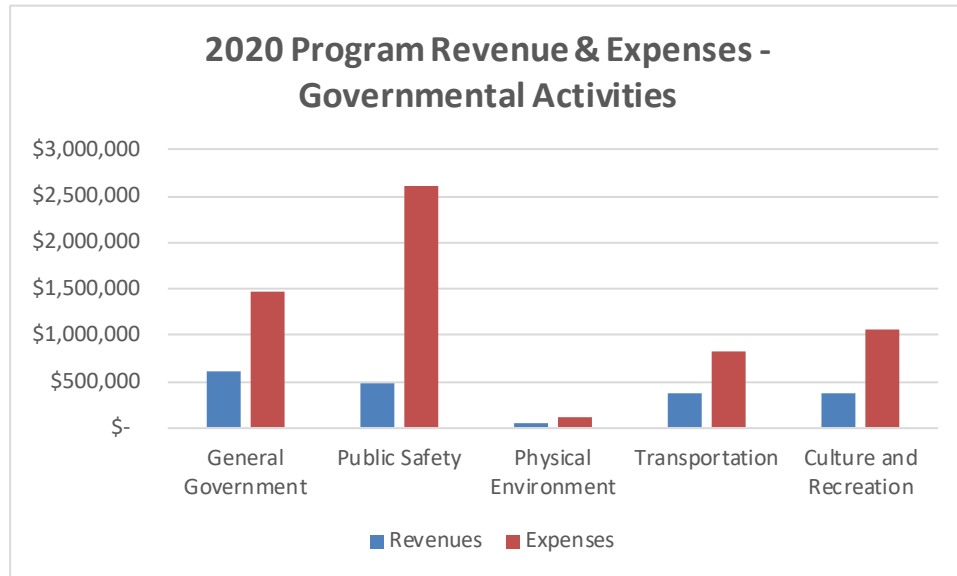
Reduction of Capital Assets through Depreciation – will reduce capital assets and the net investment in capital assets.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

CITY OF ARCADIA'S CHANGES IN NET POSITION

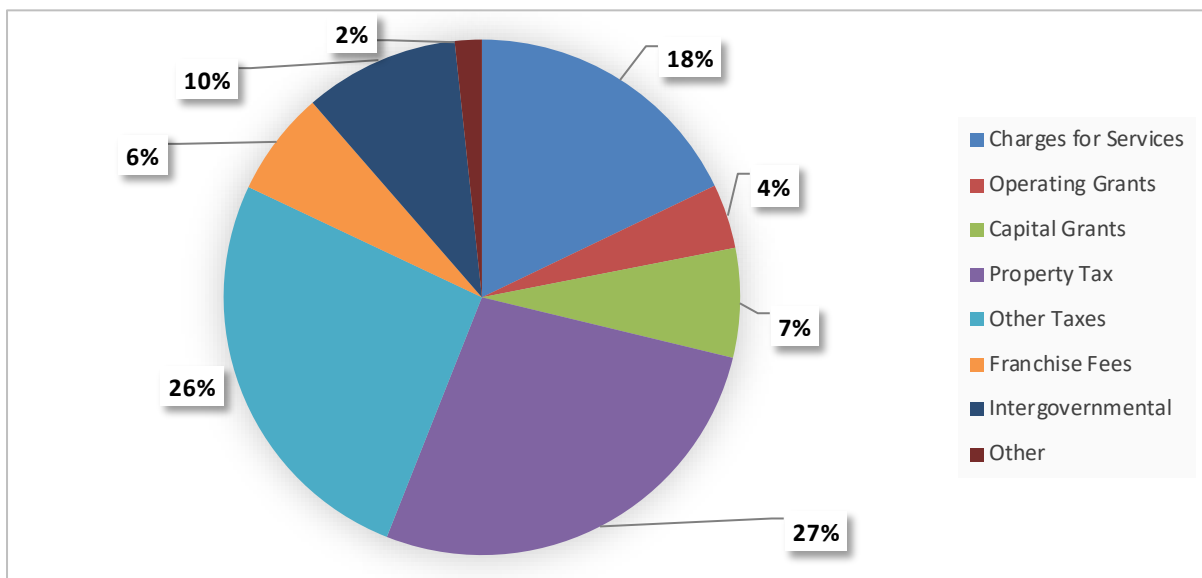
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for Services	\$ 1,174,027	\$ 1,271,617	\$ 6,318,921	\$ 6,082,616	\$ 7,492,948	\$ 7,354,233
Operating Grants and Contributions	265,949	945,554	-	-	265,949	945,554
Capital Grants and Contributions	450,473	721,083	1,439,746	890,655	1,890,219	1,611,738
General Revenues:						
Property Taxes	1,788,554	1,750,695	-	-	1,788,554	1,750,695
Other Taxes	1,710,229	1,713,105	-	-	1,710,229	1,713,105
Franchise Fees	432,616	458,275	-	-	432,616	458,275
Intergovernmental	636,825	658,086	-	-	636,825	658,086
Other	110,913	153,144	45,017	132,785	155,930	285,929
Total Revenues	6,569,586	7,671,559	7,803,684	7,106,056	14,373,270	14,777,615
Expenses:						
General Government	1,462,304	1,237,368	-	-	1,462,304	1,237,368
Public Safety	2,615,553	2,485,355	-	-	2,615,553	2,485,355
Physical Environment	113,418	338,491	-	-	113,418	338,491
Transportation	824,499	924,950	-	-	824,499	924,950
Culture and Recreation	1,052,410	1,195,132	-	-	1,052,410	1,195,132
Water and Sewer	-	-	4,639,698	5,324,432	4,639,698	5,324,432
Solid Waste	-	-	768,689	818,532	768,689	818,532
Airport	-	-	771,490	667,261	771,490	667,261
Total Expenses	6,068,184	6,181,296	6,179,877	6,810,225	12,248,061	12,991,521
Change in Net Position	501,402	1,490,263	1,623,807	295,831	2,125,209	1,786,094
Net Position - Beginning	10,320,426	8,830,163	22,805,694	22,509,863	33,126,120	31,340,026
Net Position - Ending	<u>\$ 10,821,828</u>	<u>\$ 10,320,426</u>	<u>\$ 24,429,501</u>	<u>\$ 22,805,694</u>	<u>\$ 35,251,329</u>	<u>\$ 33,126,120</u>

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**



Governmental Activities – For the current year, the City's governmental activities had an increase in net position of \$501,402, a decrease of \$988,861 in comparison with the prior year. This decrease is comprised of a decrease in revenues of \$1,101,973 and a decrease in expenses of \$113,112. The following graphic reflects the source of revenues for governmental activities.

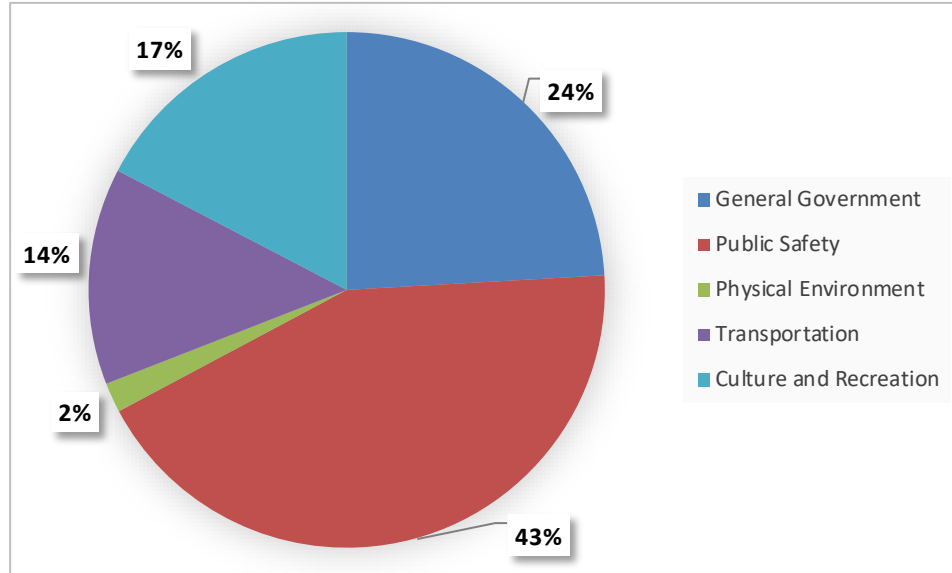
2020 Revenues by Source – Governmental Activities



The decrease in revenues is primarily due to reductions in operating and capital grants and contributions due to their one-time nature. Disaster grant revenues related to Hurricane Irma decreased \$578,000 and transportation grant revenues decreased \$344,000.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

2020 Expenses by Type - Governmental Activities

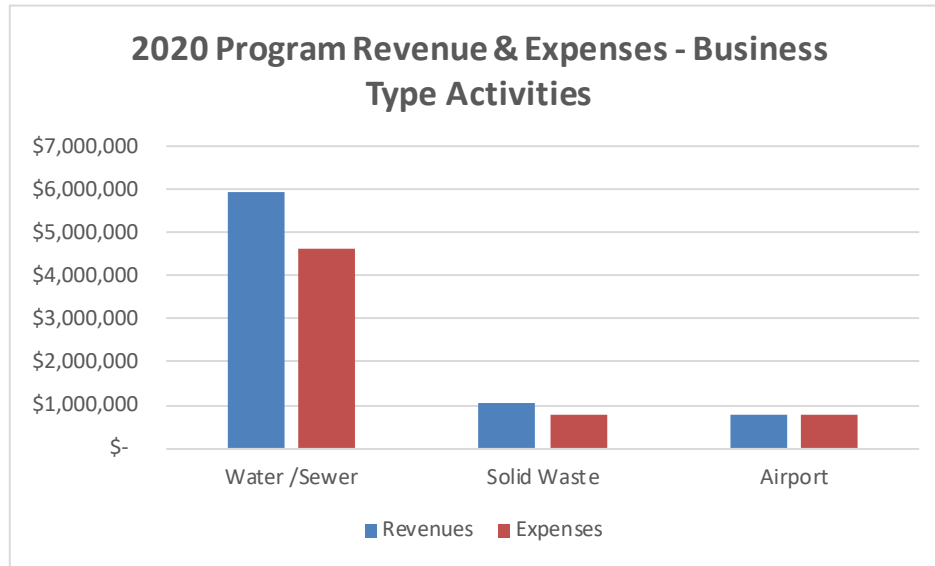


The decrease in expenses occurred within several activities. Significant decreases include \$225,073 in Physical Environment related to a master stormwater plan that was mostly completed in the prior year, \$142,722 in Culture and Recreation due to one-time non-capital costs and a reduction of utility costs, and \$100,451 in Transportation due to changes in allocated costs. These decreases were offset by increases of \$224,936 in General Government due primarily to payroll increases and \$130,186 in Public Safety due to pension related expenses.

Business Type Activities & Enterprise Funds – 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 \$1,771,144; and the increase in total net position was \$1,363,179 primarily due to capital contributions of \$1,187,540. The Water and Sewer Fund also experienced a significant decrease in expenses of \$686,159 related to a prior year loss on disposal of \$851,983. Additionally, net position increased in the Solid Waste Fund by \$269,533 as a result of increased revenues related to waste removal services.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(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 \$3,906,221, a decrease of \$290,107 over the prior year. Approximately 46% of this total amount, \$1,815,098, 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 \$121,967.

The Capital Improvement fund has a fund balance of \$2,091,123, which is all assigned for capital projects. The Disaster Assistance Fund has a deficit fund balance of \$193,283. This is due to pending grant reimbursements.

General Fund Budgetary Highlights – The City did amend the 2019-2020 budget during the year, decreasing original appropriations by \$628,443. Overall, General Fund expenditures were less than budgeted appropriations by \$100,698. More detailed information can be found in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on page 66.

Capital Assets and Debt Administration

Capital Assets – The City's capital assets for its governmental and business-type activities as of September 30, 2020, amount to \$42,517,261 (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, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,334,812	\$ 1,334,812	\$ 380,778	\$ 380,778	\$ 1,715,590	\$ 1,715,590
Construction in Progress	-	783,650	8,697,202	1,822,328	8,697,202	2,605,978
Buildings	1,811,273	1,811,273	19,007,969	18,988,169	20,819,242	20,799,442
Improvements Other than Buildings	4,939,811	4,707,250	-	-	28,158,651	4,707,250
Infrastructure	5,894,751	4,672,966	23,218,840	20,512,395	5,894,751	25,185,361
Machinery and Equipment	2,713,789	2,339,012	8,593,095	8,388,251	11,306,884	10,727,263
Total Capital Assets	16,694,436	15,648,963	59,897,884	50,091,921	76,592,320	65,740,884
Less: Accumulated Depreciation	(7,629,105)	(7,149,905)	(26,445,954)	(25,190,279)	(34,075,059)	(32,340,184)
	<u>\$ 9,065,331</u>	<u>\$ 8,499,058</u>	<u>\$ 33,451,930</u>	<u>\$ 24,901,642</u>	<u>\$ 42,517,261</u>	<u>\$ 33,400,700</u>

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

Long-Term Debt – At the end of the 2020 fiscal year, the City had debt outstanding of \$10,717,827.

City of Arcadia's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds Payable	\$ -	\$ -	\$ 420,000	\$ 820,000	\$ 420,000	\$ 820,000
State Revolving Fund Loans Payable	-	-	8,223,746	4,167,146	8,223,746	4,167,146
Note Payable	-	-	1,462,461	1,664,927	1,462,461	1,664,927
Capital Leases Payable	344,956	472,739	266,664	425,810	611,620	898,549
Total	<u>\$ 344,956</u>	<u>\$ 472,739</u>	<u>\$ 10,372,871</u>	<u>\$ 7,077,883</u>	<u>\$ 10,717,827</u>	<u>\$ 7,550,622</u>

Debt balances increased for the additional draws on state revolving fund loans. Bonds payable, notes 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.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

Economic Factors and Next Year's Budget

For fiscal year 2020, the City's property tax values increased very 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, essentially absorbing the increase. The City adopted a millage rate of 8.8195 which was the same millage rate adopted in fiscal years 2015, 2016, 2017, 2018 and 2019. The City continues to make efforts to increase fund balance in the General Fund. As of September 30, 2020, the City's percentage of unassigned fund balance compared to general fund operating expenditures is 33%. This is almost double the 17% minimum level as required by City Council in Resolution 2013-05. A 33% fund balance is significant, but even more so, after having experienced the 2020 COVID-19 Impacts on City revenues.

For the last 6 years, City Council has adopted a millage rate of 8.8195. For the 2021 budget year, City Council adopted the rolled back rate of 8.6176. City Council felt in the midst of the COVID-19 pandemic even a small decrease to our taxpayers is significant.

Per the DeSoto County Development Office it is apparent that DeSoto County as a whole is experiencing a significant growth pattern. There is new construction throughout the County and Arcadia is a part of that growth. In addition, the real estate market is very active right now with prices being edged up a by low inventory and high demand. This should result in increases in property values better than those seen in recent years. How quickly current market dynamics will affect assessed property values remains to be seen. But the market is operating at higher values, so it is not unreasonable to expect an increase in available tax revenue based upon this information.

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, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,294,615	\$ 1,802,194	\$ 5,096,809
Accounts Receivable, Net of Allowances	326,437	932,612	1,259,049
Due from Other Governments	393,514	892,554	1,286,068
Internal Balances	315,437	(315,437)	-
Restricted Assets:			
Cash and Cash Equivalents	-	1,475,665	1,475,665
Capital Assets:			
Nondepreciable	1,334,812	9,077,980	10,412,792
Depreciable, Net	7,730,519	24,373,950	32,104,469
Total Assets	<u>13,395,334</u>	<u>38,239,518</u>	<u>51,634,852</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pensions	862,393	124,658	987,051
Deferred Outflows - OPEB	90,542	36,422	126,964
Total Deferred Outflows of Resources	<u>952,935</u>	<u>161,080</u>	<u>1,114,015</u>
LIABILITIES			
Accounts Payable and Retainage Payable	144,152	2,254,282	2,398,434
Accrued Liabilities	149,644	66,048	215,692
Current Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	-	452,515	452,515
Unearned Revenue	566	1,417	1,983
Noncurrent Liabilities:			
Due Within One Year			
Compensated Absences	26,397	8,225	34,622
Bonds, Notes and Leases Payable	133,085	1,057,231	1,190,316
Total OPEB Liability	90,542	36,422	126,964
Due in More than One Year			
Compensated Absences	237,576	74,030	311,606
Bonds, Notes and Leases Payable	211,871	9,315,640	9,527,511
Net Pension Liability	993,838	95,409	1,089,247
Total OPEB Liability	<u>1,312,783</u>	<u>528,086</u>	<u>1,840,869</u>
Total Liabilities	<u>3,300,454</u>	<u>13,889,305</u>	<u>17,189,759</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pensions	<u>225,987</u>	<u>81,792</u>	<u>307,779</u>
NET POSITION			
Net Investment in Capital Assets	8,700,768	21,356,632	30,057,400
Restricted for:			
Debt Service	-	989,357	989,357
Unrestricted	2,121,060	2,083,512	4,204,572
Total Net Position	<u>\$ 10,821,828</u>	<u>\$ 24,429,501</u>	<u>\$ 35,251,329</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ARCADIA, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

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	\$ 1,462,304	\$ 564,589	\$ 50,000	\$ -	\$ (847,715)	\$ -	\$ (847,715)
Public Safety	2,615,553	107,396	199,543	164,903	(2,143,711)	-	(2,143,711)
Physical Environment	113,418	32,884	16,406	-	(64,128)	-	(64,128)
Transportation	824,499	98,090	-	285,570	(440,839)	-	(440,839)
Culture and Recreation	1,052,410	371,068	-	-	(681,342)	-	(681,342)
Total Governmental Activities	6,068,184	1,174,027	265,949	450,473	(4,177,735)	-	(4,177,735)
BUSINESS-TYPE ACTIVITIES							
Water and Sewer	4,639,698	4,777,401	-	1,187,540	-	1,325,243	1,325,243
Solid Waste	768,689	1,032,566	-	-	-	263,877	263,877
Airport	771,490	508,954	-	252,206	-	(10,330)	(10,330)
Total Business-Type Activities	6,179,877	6,318,921	-	1,439,746	-	1,578,790	1,578,790
Total Primary Government	<u>\$ 12,248,061</u>	<u>\$ 7,492,948</u>	<u>\$ 265,949</u>	<u>\$ 1,890,219</u>	(4,177,735)	1,578,790	(2,598,945)
GENERAL REVENUES							
Property Taxes					1,788,554	-	1,788,554
Local Option Gas Tax					269,455	-	269,455
Discretionary Sales Surtax					630,611	-	630,611
Public Service Taxes					596,465	-	596,465
Communications Services Taxes					165,747	-	165,747
Business License Taxes					47,951	-	47,951
Franchise Fees					432,616	-	432,616
Intergovernmental, Unrestricted					636,825	-	636,825
Unrestricted Investment Earnings					39,332	43,592	82,924
Miscellaneous					71,581	-	71,581
Gain on Disposition of Assets					-	1,425	1,425
Total General Revenues					<u>4,679,137</u>	<u>45,017</u>	<u>4,724,154</u>
CHANGE IN NET POSITION					501,402	1,623,807	2,125,209
Net Position - Beginning of Year					<u>10,320,426</u>	<u>22,805,694</u>	<u>33,126,120</u>
NET POSITION - END OF YEAR					<u>\$ 10,821,828</u>	<u>\$ 24,429,501</u>	<u>\$ 35,251,329</u>

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
BALANCE SHEET — GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General	Street Reserve	Capital Improvement	Disaster Assistance	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,279,318	\$ -	\$ 2,015,297	\$ -	\$ 3,294,615
Accounts Receivable	326,437	-	-	-	326,437
Due from Other Governments	279,645	-	113,869	-	393,514
Due from Other Funds	508,720	-	-	-	508,720
Total Assets	<u>\$ 2,394,120</u>	<u>\$ -</u>	<u>\$ 2,129,166</u>	<u>\$ -</u>	<u>\$ 4,523,286</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts Payable	\$ 106,109	\$ -	\$ 38,043	\$ -	\$ 144,152
Accrued Liabilities	141,238	-	-	-	141,238
Due to Other Funds	-	-	-	193,283	193,283
Unearned Revenue	566	-	-	-	566
Total Liabilities	247,913	-	38,043	193,283	479,239
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Restitution	137,826	-	-	-	137,826
FUND BALANCES (DEFICIT)					
Assigned for:					
Capital Projects	-	-	2,091,123	-	2,091,123
Unassigned (Deficit)	2,008,381	-	-	(193,283)	1,815,098
Total Fund Balances (Deficit)	<u>2,008,381</u>	<u>-</u>	<u>2,091,123</u>	<u>(193,283)</u>	<u>3,906,221</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	<u>\$ 2,394,120</u>	<u>\$ -</u>	<u>\$ 2,129,166</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					
Capital Assets					16,694,436
Less: Accumulated Depreciation					(7,629,105)
Total					<u>9,065,331</u>
Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.					
					137,826
Net pension liability is not due and payable in the current period and, therefore, the liabilities and the related deferred outflows and inflows of resources are not reported in the funds.					
Net Pension Liability					(993,838)
Deferred Outflows of Resources - Pension Related					862,393
Deferred Inflows of Resources - Pension Related					(225,987)
Total					<u>(357,432)</u>
Total other postemployment benefits (OPEB) liability is not due and payable in the current period and, therefore, the liabilities and related deferred outflows of resources are not reported in the funds.					
Total OPEB Liability					(1,403,325)
Deferred Outflows - OPEB					90,542
Total					<u>(1,312,783)</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					
Capital Leases					(344,956)
Compensated Absences					(263,973)
Total					<u>(608,929)</u>
Accrued general long-term debt interest expense is not due and payable in the current period and therefore, is not reported in the funds.					
					(8,406)
Net Position of Governmental Activities					<u>\$ 10,821,828</u>

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, 2020

	General	Street Reserve	Capital Improvement	Disaster Assistance	Total Governmental Funds
REVENUES					
Taxes	\$ 2,868,172	\$ -	\$ 630,611	\$ -	\$ 3,498,783
Charges for Services	478,365	-	-	-	478,365
Permits, Fees, and Assessments	726,235	-	-	-	726,235
Intergovernmental	1,276,182	-	-	52,687	1,328,869
Fines and Forfeitures	64,811	-	-	-	64,811
Interest Income	23,333	10	15,989	-	39,332
Other Revenues	415,049	-	-	-	415,049
Total Revenues	5,852,147	10	646,600	52,687	6,551,444
EXPENDITURES					
Current:					
General Government	1,292,515	-	83,331	-	1,375,846
Public Safety	2,510,005	-	-	-	2,510,005
Physical Environment	128,529	-	-	-	128,529
Transportation	569,719	-	-	-	569,719
Culture and Recreation	1,009,363	-	1,086	-	1,010,449
Capital Outlay	484,432	-	635,253	-	1,119,685
Debt Service:					
Principal Retirement	-	-	127,783	-	127,783
Interest	-	-	19,984	-	19,984
Total Expenditures	5,994,563	-	867,437	-	6,862,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(142,416)	10	(220,837)	52,687	(310,556)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	1,212	-	1,212
Transfers Out	-	(1,212)	-	-	(1,212)
Insurance Recoveries	20,449	-	-	-	20,449
Total Other Financing Sources (Uses)	20,449	(1,212)	1,212	-	20,449
NET CHANGE IN FUND BALANCES	(121,967)	(1,202)	(219,625)	52,687	(290,107)
Fund Balances (Deficits) - Beginning of Year	2,130,348	1,202	2,310,748	(245,970)	4,196,328
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 2,008,381</u>	<u>\$ -</u>	<u>\$ 2,091,123</u>	<u>\$ (193,283)</u>	<u>\$ 3,906,221</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, 2020

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

Net Change in Fund Balances - Total Governmental Funds	\$ (290,107)
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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	1,164,121
Less: Current Year Depreciation	(597,848)
Total	566,273

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 net effect of these differences in the treatment of long-term debt and related items.

Principal Repayments - Capital Lease	127,783
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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	(2,307)
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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.

Change in Net Pension Liability and Related Pension Amounts	305,528
Change in Total OPEB Liability and Related OPEB Amounts	(186,620)
Change in Accrued Interest	2,993
Change in Compensated Absences	(22,141)
Total	99,760

Change in Net Position of Governmental Activities	\$ 501,402
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CITY OF ARCADIA, FLORIDA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,193,210	\$ 608,984	\$ -	\$ 1,802,194
Restricted Cash and Cash Equivalents:				
2003 Refunding Bonds, Sinking Fund	421,103	-	-	421,103
Customer Deposits	448,015	-	4,500	452,515
Accounts Receivable, Net of Allowances	784,404	146,775	1,433	932,612
Due from Other Governments	878,275	-	14,279	892,554
Due from Other Funds	1,593	-	-	1,593
Total Current Assets	3,726,600	755,759	20,212	4,502,571
Noncurrent Assets:				
Restricted Assets, Cash - 2003 Refunding Bonds, Reserve Funds	602,047	-	-	602,047
Capital Assets:				
Nondepreciable	8,613,927	-	464,053	9,077,980
Depreciable, Net of Accumulated Depreciation	21,323,144	324,972	2,725,834	24,373,950
Total Noncurrent Assets	30,539,118	324,972	3,189,887	34,053,977
Total Assets	34,265,718	1,080,731	3,210,099	38,556,548
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pensions	86,232	38,426	-	124,658
Deferred Outflows - OPEB	26,708	8,568	1,146	36,422
Total Deferred Outflows of Resources	112,940	46,994	1,146	161,080
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,536,434	30,123	18,005	1,584,562
Accrued Liabilities	22,703	7,036	530	30,269
Accrued Interest	-	1,986	-	1,986
Retainage Payable	669,720	-	-	669,720
Unearned Revenue	1,417	-	-	1,417
Current Portion - Compensated Absences	5,397	2,828	-	8,225
Current Portion - Capital Leases Payable	45,948	74,206	-	120,154
Current Portion - Notes Payable	517,077	-	-	517,077
Current Portion - Total OPEB Liability	26,707	8,569	1,146	36,422
Due to Other Funds	100,946	88,129	127,955	317,030
Payable from Restricted Assets:				
Customer Deposits	448,015	-	4,500	452,515
Accrued Interest	33,793	-	-	33,793
Bonds Payable, Current Portion	420,000	-	-	420,000
Total Current Liabilities	3,828,157	212,877	152,136	4,193,170
Noncurrent Liabilities:				
Compensated Absences, Net of Current Portion	48,574	25,456	-	74,030
Capital Leases Payable, Net of Current Portion	69,383	77,127	-	146,510
Notes Payable, Net of Current Portion	9,169,130	-	-	9,169,130
Net Pension Liability	66,000	29,409	-	95,409
Total OPEB Liability - Net of Current Portion	387,228	124,245	16,613	528,086
Total Noncurrent Liabilities	9,740,315	256,237	16,613	10,013,165
Total Liabilities	13,568,472	469,114	168,749	14,206,335
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pensions	56,579	25,213	-	81,792
NET POSITION				
Net Investment in Capital Assets	17,993,106	173,639	3,189,887	21,356,632
Restricted for Debt Service	989,357	-	-	989,357
Unrestricted (Deficit)	1,771,144	459,759	(147,391)	2,083,512
Total Net Position	\$ 20,753,607	\$ 633,398	\$ 3,042,496	\$ 24,429,501

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, 2020

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Totals
OPERATING REVENUES				
Charges for Services	\$ 4,757,268	\$ 1,032,072	\$ 499,708	\$ 6,289,048
Other Revenues	20,133	494	9,246	29,873
Total Operating Revenues	<u>4,777,401</u>	<u>1,032,566</u>	<u>508,954</u>	<u>6,318,921</u>
OPERATING EXPENSES				
Personal Services	1,204,742	377,446	103,164	1,685,352
Operating Expenses	2,164,422	364,341	418,360	2,947,123
Depreciation	1,027,104	18,338	249,966	1,295,408
Total Operating Expenses	<u>4,396,268</u>	<u>760,125</u>	<u>771,490</u>	<u>5,927,883</u>
OPERATING INCOME (LOSS)	381,133	272,441	(262,536)	391,038
NONOPERATING INCOME (EXPENSES)				
Interest Income	37,936	5,656	-	43,592
Interest Expense	(243,430)	(8,564)	-	(251,994)
Gain on Disposal of Capital Assets	-	-	1,425	1,425
Total Nonoperating Income (Expenses)	<u>(205,494)</u>	<u>(2,908)</u>	<u>1,425</u>	<u>(206,977)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	175,639	269,533	(261,111)	184,061
CAPITAL GRANTS AND CONTRIBUTIONS	<u>1,187,540</u>	<u>-</u>	<u>252,206</u>	<u>1,439,746</u>
CHANGE IN NET POSITION	1,363,179	269,533	(8,905)	1,623,807
Net Position - Beginning of Year	<u>19,390,428</u>	<u>363,865</u>	<u>3,051,401</u>	<u>22,805,694</u>
NET POSITION - END OF YEAR	<u><u>\$ 20,753,607</u></u>	<u><u>\$ 633,398</u></u>	<u><u>\$ 3,042,496</u></u>	<u><u>\$ 24,429,501</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 4,680,032	\$ 1,003,987	\$ 510,251	\$ 6,194,270
Payments to Suppliers	(2,063,300)	(359,883)	(411,588)	(2,834,771)
Payments to Employees	(1,272,731)	(407,903)	(98,575)	(1,779,209)
Net Cash Provided by Operating Activities	1,344,001	236,201	88	1,580,290
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payment to Other Fund	-	-	(37,641)	(37,641)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(8,142,020)	-	(247,928)	(8,389,948)
Proceeds from Sale of Asset	-	-	1,425	1,425
Capital Grants	315,360	-	283,956	599,316
Proceeds from Notes Payable and Capital Leases	4,264,963	-	-	4,264,963
Principal Paid on Bonds	(400,000)	-	-	(400,000)
Principal Paid on Notes Payable and Capital Leases	(498,582)	(71,393)	-	(569,975)
Interest Paid	(193,013)	(8,771)	-	(201,784)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,653,292)	(80,164)	37,453	(4,696,003)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	37,936	5,656	-	43,592
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,271,355)	161,693	(100)	(3,109,762)
Cash and Cash Equivalents - Beginning of Year	5,935,730	447,291	4,600	6,387,621
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,664,375</u>	<u>\$ 608,984</u>	<u>\$ 4,500</u>	<u>\$ 3,277,859</u>
CLASSIFIED AS:				
Cash and Cash Equivalents	\$ 1,193,210	\$ 608,984	\$ -	\$ 1,802,194
Restricted Cash and Cash Equivalents, Sinking Fund	421,103	-	-	421,103
Restricted Cash and Cash Equivalents, Customer Deposits	448,015	-	4,500	452,515
Restricted Cash, Reserve Funds	602,047	-	-	602,047
Total	<u>\$ 2,664,375</u>	<u>\$ 608,984</u>	<u>\$ 4,500</u>	<u>\$ 3,277,859</u>

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020

	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)	\$ 381,133	\$ 272,441	\$ (262,536)	\$ 391,038
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	1,027,104	18,338	249,966	1,295,408
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(128,789)	(28,579)	3,193	(154,175)
Decrease In Deferred Outflows - Pensions	13,353	7,185	-	20,538
Decrease In Deferred Outflows - OPEB	14,651	4,737	312	19,700
Increase in Accounts Payable	101,122	4,458	6,772	112,352
Increase in Accrued Liabilities	2,180	1,290	530	4,000
Increase in Unearned Revenue	1,417	-	(1,796)	(379)
Increase (Decrease) in Compensated Absences	(5,431)	2,927	-	(2,504)
Increase (Decrease) in Customer Deposits	30,003	-	(100)	29,903
(Decrease) in Net Pension Liability	(120,728)	(56,115)	-	(176,843)
Increase in Total OPEB Liability	16,396	4,912	3,747	25,055
Increase In Deferred Inflows - Pensions	11,590	4,607	-	16,197
Net Cash Provided by Operating Activities	<u>\$ 1,344,001</u>	<u>\$ 236,201</u>	<u>\$ 88</u>	<u>\$ 1,580,290</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Assets Acquired Through Retainage and Accounts Payable	\$ 1,455,748	\$ -	\$ -	\$ 1,455,748

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION — FIDUCIARY FUNDS
SEPTEMBER 30, 2020

	Pension Trust Funds
ASSETS	
Cash	\$ 16,154
Contributions Receivable	47,175
Interest and Dividends Receivable	14,927
Investments:	
Short-Term Investments	219,532
Common Stock	3,016,522
Foreign Stock	90,526
U.S. Government Obligations	1,217,829
Mortgage/Asset-Backed Securities	569,885
Corporate Bonds	1,080,859
Foreign Stock	37,968
Mutual Funds - Equity	4,637,093
Mutual Funds - Fixed Income	346,938
Nonparticipating Interest-Earning Contract	1,929,016
Real Estate Fund	1,061,706
Total Investments	<u>14,207,874</u>
 Total Assets	 14,286,130
 LIABILITIES	
Accounts Payable	<u>10,674</u>
 NET POSITION	
Net Position Restricted for:	
Pension Benefits	<u><u>\$ 14,275,456</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, 2020

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 693,818
State of Florida	96,761
Plan Members	<u>135,235</u>
Total Contributions	925,814
Investment Income:	
Investment Earnings	1,298,093
Less: Investment Expenses	<u>(78,576)</u>
Net Investment Income	<u>1,219,517</u>
Total Additions	2,145,331
DEDUCTIONS	
Benefits	802,043
Administrative Expenses	<u>107,336</u>
Total Deductions	<u>909,379</u>
CHANGE IN NET POSITION	1,235,952
Net Position - Beginning of Year	<u>13,039,504</u>
NET POSITION - END OF YEAR	<u><u>\$ 14,275,456</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, sewer system, and airport.

As required by the GASB, 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.

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.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-Wide and Fund Financial Statements (Continued)

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds 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.

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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 a special revenue fund used to account for the receipt, custody, and expenditure of fuel taxes restricted for maintaining streets and roads.

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

The *Disaster Assistance Fund* is a special revenue fund used to account for the receipt and expenditure of grant funds restricted 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.

Additionally, the government reports the following fiduciary fund type:

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

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Proprietary funds distinguish *operating* revenues and expenses from *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.

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; and deposits in the Local Government Surplus Trust Fund Investment Pool administered by the Florida State Board of Administration and the Florida SAFE Investment Pool administered by PMA Financial Network, both of which are valued at amortized cost, which approximates fair value. 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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

This pool is provided as additional insurance to the Federal depository insurance and allows for additional assessments against the member institutions providing full insurance for public deposits. The City had deposits only with qualifying institutions as of September 30, 2020.

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, 2020 was \$1,019,691 in the Water and Sewer Fund and \$122,607 in the Solid Waste Fund.

Restricted Assets

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. 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.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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

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

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

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.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

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.

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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Equity (Continued)

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.

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

Net Position – Net position represents the difference between assets and liabilities. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All net position not reported as net investment in capital assets or restricted net position, is reported as unrestricted net position.

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

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

- Committed
- Assigned
- Unassigned

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

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

NOTE 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 Street Reserve Fund, Disaster Assistance Fund, or the Pension Trust Funds.

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

The appropriated budget is prepared by fund, function, and department. The 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, 2020, the following departments reported expenditures in excess of budget appropriations in the General Fund:

Other Governmental Services	\$1,751
Law Enforcement	6,202
Golf Course	1,147

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, 2020

NOTE 3 DEPOSITS AND INVESTMENTS

At September 30, 2020, the bank balances of the City's deposits totaled \$3,859,442.

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, 2020:

Deposits	\$ 4,002,151
Cash on Hand	700
Investments	16,793,651
Total	<u>\$ 20,796,502</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 5,096,809
Restricted Cash and Cash Equivalents	1,475,665
Statement of Fiduciary Net Position:	
Cash	16,154
Investments	14,207,874
Total	<u>\$ 20,796,502</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.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value (Continued)

The City had the following fair value measurements as of September 30, 2020:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Common Stock	\$ 3,016,522	\$ 3,016,522	\$ -	\$ -
Foreign Stock	90,526	90,526	-	-
U.S. Government Obligations	1,217,829	481,164	736,665	-
Mortgage/Asset-Backed Securities	569,885	-	569,885	-
Corporate Bonds	1,080,859	-	1,080,859	-
Foreign Bonds	37,968	-	37,968	-
Mutual Funds - Equity	4,637,093	4,637,093	-	-
Mutual Funds - Fixed Income	346,938	346,938	-	-
Total Investments Measured at Fair Value	10,997,620	<u>\$ 8,572,243</u>	<u>\$ 2,425,377</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV):				
Real Estate Fund	1,061,706			
Total Investments Measured at NAV	1,061,706			
Investments Measured at Amortized Cost:				
Florida PRIME	460,702			
Florida SAFE	2,125,075			
Short-Term Investments	219,532			
Nonparticipating Interest-Earning Contract	1,929,016			
Total Investments Measured at Amortized Cost	4,734,325			
Total Investments	<u>\$ 16,793,651</u>			

Other information for investments measured at the NAV or its equivalent is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Fund	\$ 1,061,706	\$ 621	Quarterly	Daily

Real Estate Fund – The American Core Realty Fund is an open-end diversified core real estate commingled fund whose primary objective is to provide returns that are attractive relative to other asset classes with stable income and the potential for market appreciation. The American Core Realty Fund invests primarily in core institutional quality industrial, multi-family, office and retail properties located throughout the United States, and is diversified by product type, geographic region, and economic exposure in order to mitigate investment risk.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, 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	\$ 1,217,829	\$ 45,563	\$ 1,032,682	\$ 139,584	\$ -
Mortgage/Asset-Backed Securities	569,885	-	-	20,034	549,851
Corporate Bonds	1,080,859	-	821,181	259,678	-
Foreign Bonds	37,968	-	37,968	-	-
Mutual Funds - Fixed Income	346,938	346,938	-	-	-
Total	<u>\$ 3,253,479</u>	<u>\$ 392,501</u>	<u>\$ 1,891,831</u>	<u>\$ 419,296</u>	<u>\$ 549,851</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, 2020 for each type of investment in debt securities.

Investment Type	S&P/Moody's Rating	Fair Value
SBA Florida PRIME	AAAm	\$ 460,702
PMA Florida SAFE	AAAm	2,125,075
Short-Term Investments	AAAm	219,532
U.S. Government Obligations	Aaa	1,217,829
Mortgage/Asset-Backed Securities	NR	569,885
Corporate Bonds	Aaa-Baa3	1,080,859
Foreign Bonds	Baa3	37,968
Mutual Funds - Equity	NR	4,637,093
Mutual Funds - Fixed Income	NR	346,938
Nonparticipating Interest-Earning Contract	NR	1,929,016
Real Estate Fund	NR	1,061,706
Total		<u>\$ 13,686,603</u>

NR = Not Rated

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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020, 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 17.8% of the Florida PRIME's portfolio at September 30, 2020.

Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost, which approximates fair value.

The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2020 was 48 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, 2020 was 63 days. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's. On September 30, 2020, 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, and the Investment Advisory Council. The

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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, 2020, there were no redemption fees, 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.

As of September 30, 2020, FL SAFE investment pool weighted average maturity in days was 60 days. Florida SAFE meets all of the necessary criteria to elect to measure all of the investments in Florida SAFE at amortized cost, which approximates fair value.

As of September 30, 2020, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

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.

No investments in any one issuer exceeds 5% of the total investments.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Foreign Currency Risk

The City is not exposed to any foreign currency risk.

NOTE 4 RECEIVABLES

Receivables as of September 30, 2020, for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities			
	General	Water and Sewer	Solid Waste	Airport	Total
Utility and Franchise Taxes	\$ 128,200	\$ -	\$ -	\$ -	\$ 128,200
Restitution	137,826	-	-	-	137,826
Customer Charges	-	1,803,850	241,874	1,433	2,047,157
Miscellaneous	60,411	245	27,508	-	88,164
Gross Receivables	326,437	1,804,095	269,382	1,433	2,401,347
Allowance for Doubtful Accounts	-	(1,019,691)	(122,607)	-	(1,142,298)
Total	<u>\$ 326,437</u>	<u>\$ 784,404</u>	<u>\$ 146,775</u>	<u>\$ 1,433</u>	<u>\$ 1,259,049</u>

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the governmental activities for the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,334,812	\$ -	\$ -	\$ -	\$ 1,334,812
Construction In Progress	783,650	739,831	-	(1,523,481)	-
Total Capital Assets, Not Being Depreciated	2,118,462	739,831	-	(1,523,481)	1,334,812
Capital Assets, Being Depreciated:					
Buildings	1,811,273	-	-	-	1,811,273
Improvements Other than Buildings	4,707,250	-	-	232,561	4,939,811
Infrastructure	4,672,966	-	-	1,221,785	5,894,751
Furniture, Fixtures, and Equipment	2,339,012	424,290	(118,648)	69,135	2,713,789
Total Capital Assets, Being Depreciated	13,530,501	424,290	(118,648)	1,523,481	15,359,624
Less: Accumulated Depreciation for:					
Buildings	(1,087,514)	(36,230)	-	-	(1,123,744)
Improvements Other than Buildings	(2,386,347)	(182,828)	-	-	(2,569,175)
Infrastructure	(2,445,976)	(135,462)	-	-	(2,581,438)
Furniture, Fixtures, and Equipment	(1,230,068)	(243,328)	118,648	-	(1,354,748)
Total Accumulated Depreciation	<u>(7,149,905)</u>	<u>(597,848)</u>	<u>118,648</u>	<u>-</u>	<u>(7,629,105)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,380,596</u>	<u>(173,558)</u>	<u>-</u>	<u>1,523,481</u>	<u>7,730,519</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,499,058</u>	<u>\$ 566,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,065,331</u>

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government	\$ 128,431
Public Safety	103,669
Physical Environment	3,586
Transportation	307,972
Culture and Recreation	54,190
Total Depreciation Expense -	
Governmental Activities	<u>\$ 597,848</u>

The following is a summary of changes in capital assets for the business-type activities for the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 380,778	\$ -	\$ -	\$ -	\$ 380,778
Construction In Progress	1,822,328	9,611,299	-	(2,736,425)	8,697,202
Total Capital Assets, Not Being Depreciated	2,203,106	9,611,299	-	(2,736,425)	9,077,980
Capital Assets, Being Depreciated:					
Buildings	18,988,169	-	-	19,800	19,007,969
Infrastructure and Improvements					
Other than Buildings	20,512,395	-	(1,650)	2,708,095	23,218,840
Furniture, Fixtures, and Equipment	8,388,251	234,397	(38,083)	8,530	8,593,095
Total Capital Assets, Being Depreciated	47,888,815	234,397	(39,733)	2,736,425	50,819,904
Less: Accumulated Depreciation for:					
Buildings	(8,933,819)	(310,435)	-	-	(9,244,254)
Infrastructure and Improvements					
Other than Buildings	(11,416,790)	(736,055)	1,650	-	(12,151,195)
Furniture, Fixtures, and Equipment	(4,839,670)	(248,918)	38,083	-	(5,050,505)
Total Accumulated Depreciation	(25,190,279)	(1,295,408)	39,733	-	(26,445,954)
Total Capital Assets, Being Depreciated, Net	22,698,536	(1,061,011)	-	2,736,425	24,373,950
Business-Type Activities					
Capital Assets, Net	<u>\$ 24,901,642</u>	<u>\$ 8,550,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,451,930</u>

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

Business-Type Activities:	
Water and Sewer	\$ 1,027,104
Solid Waste	18,338
Airport	249,966
Total Depreciation Expense -	
Business-Type Activities	<u>\$ 1,295,408</u>

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 LONG-TERM LIABILITIES

Long-term liability activity for the governmental activities for the year ended September 30, 2020 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Lease Payable	\$ 472,739	\$ -	\$ (127,783)	\$ 344,956	\$ 133,085
Compensated Absences	241,832	141,313	(119,172)	263,973	26,397
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 714,571</u>	<u>\$ 141,313</u>	<u>\$ (246,955)</u>	<u>\$ 608,929</u>	<u>\$ 159,482</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, 2020 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable:					
2003 Refunding Bonds	\$ 820,000	\$ -	\$ (400,000)	\$ 420,000	\$ 420,000
Direct Borrowings:					
State Revolving Fund Loan:					
DW140110	3,995,104	-	(199,519)	3,795,585	205,330
WW140110	172,042	-	(8,844)	163,198	8,894
WW140111	-	3,817,121	-	3,817,121	95,428
WW140113	-	447,842	-	447,842	-
Note Payable	1,664,927	-	(202,466)	1,462,461	207,425
Total Direct Borrowings	5,832,073	4,264,963	(410,829)	9,686,207	517,077
Capital Lease Payable	425,810	-	(159,146)	266,664	120,154
Compensated Absences	84,759	59,690	(62,194)	82,255	8,225
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 7,162,642</u>	<u>\$ 4,324,653</u>	<u>\$ (1,032,169)</u>	<u>\$ 10,455,126</u>	<u>\$ 1,065,456</u>

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

The City's long-term liabilities for governmental activities and business-type activities at September 30, 2020 consisted of the following:

Description	Amount
Governmental Activities	
<u>Capital Lease Payable</u>	
Capital leases payable for a front end loader, street sweeper, claw truck, 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. Principal and interest is payable in annual installments of \$38,380 beginning in July 2019 at 4.42% through July 2023 for the claw truck.	\$ 344,956
Business-Type Activities	
<u>Bonds Payable</u>	
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. In the event of default, the municipal insurer would make payments under the municipal bond insurance policy and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders.	420,000
<u>Direct Borrowings</u>	
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. There are no specific default provisions of this loan.	3,795,585
State Revolving Fund (SRF) loan issued in the amount of \$180,888. Principal and interest is payable semiannually on March 15 and September 15 in the amount of \$4,884 until all amounts due have been fully paid. Interest rate is 0.57%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.	163,198
State Revolving Fund (SRF) loan issued in the amount of \$7,176,329, of which \$3,817,121 has been drawn down as of September 30, 2020. The estimated amount of principal forgiveness is \$3,750,000. Principal and interest will be payable in equal semi-annual installments of \$89,246 until all amounts due have been fully paid with first repayment starting August 15, 2021, and an interest rate of 0.00%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.	3,817,121

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Description	Amount
<u>Direct Borrowings (Continued)</u>	
State Revolving Fund (SRF) loan issued in the amount of \$800,000, of which \$447,842 has been drawn down as of September 30, 2020. The estimated amount of principal forgiveness is \$358,276. Principal and interest will be payable in equal semi-annual installments of \$4,531 until all amounts due have been fully paid with first repayment starting December 15, 2021, and an interest rate of 0.11%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.	\$ 447,842
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 until all amounts due have been fully paid. This note was issued to finance the cost of new water meters. In the event of default, all payments may become due and payable.	1,462,461
<u>Capital Leases Payable</u>	
Capital leases payable for two garbage trucks, a vacuum truck, base loader, track loader and an F-350. 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 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. Principal and interest is payable in annual installments of \$21,598 beginning in December 2018 at 4.95% interest through December 2021 for the base loader. Principal and interest is payable in annual installments of \$15,937 beginning in February 2019 at 5.75% interest through February 2023 for the track loader. Principal and interest is payable in annual installments of \$14,854 beginning in May 2019 at 6.80% interest through May 2021 for the F-350.	266,664
Total Business-Type Activities	<u>\$ 10,372,871</u>

Annual debt service requirements for the business-type activities (excluding capital leases) as of September 30, 2020 are as follows:

Year Ending September 30,	Bonds Payable		Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 420,000	\$ 9,135	\$ 517,077	\$ 142,530
2022	-	-	645,783	131,889
2023	-	-	657,219	120,453
2024	-	-	668,963	108,709
2025	-	-	681,025	96,647
2026-2030	-	-	2,741,844	324,650
2031-2035	-	-	2,564,910	120,718
2036-2040	-	-	1,091,338	663
2041-2045	-	-	118,048	18
Total	<u>\$ 420,000</u>	<u>\$ 9,135</u>	<u>\$ 9,686,207</u>	<u>\$ 1,046,277</u>

For the current year, pledged net revenues related to the 2003 Refunding Bonds and SRF loans were \$2,110,390. The total principal and interest paid for the current year were \$608,363 and \$135,158, respectively. Total principal and interest remaining to be paid is \$9,578,020

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

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>Business-Type Activities</u>
Asset:		
Equipment	\$ 685,406	\$ 826,425
Less: Accumulated Depreciation	(138,326)	(313,989)
Total	<u>\$ 547,080</u>	<u>\$ 512,436</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2021	\$ 147,767	\$ 132,553
2022	147,767	117,699
2023	76,688	37,535
Total Minimum Lease Payments	372,222	287,787
Less: Amount Representing Interest	(27,266)	(21,123)
Present Value of Minimum Lease Payments	<u>\$ 344,956</u>	<u>\$ 266,664</u>

Rate Covenant

In accordance with the Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003, the City has a covenant to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals, and other charges for the use of the products, services and facilities of the water and sewer system which shall provide revenues sufficient to pay: (1) 100% of all cost of operation and maintenance as the same shall become due in such year, (2) 125% of the bond service requirement due in such year on the outstanding bonds, and (3) 100% of all other deposits to be made pursuant to the resolution and all other amounts payable from pledged revenues. For fiscal year September 30, 2020, the City was in compliance with the debt covenant.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 is a member of Preferred Governmental Insurance Trust (PGIT), a governmental insurance carrier. PGIT administers insurance activities related to property, general liability, public official's, employment practices, and workers' compensation. PGIT meets the GASB Statement No. 10 guidelines for governmental entity pools and provides audited financial statements annually. 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 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.

NOTE 8 INTERFUND RECEIVABLES AND PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2020 is as follows:

Receivable Funds	Payable Funds				Total
	Disaster Assistance	Water and Sewer	Solid Waste	Airport	
General Fund	\$ 193,283	\$ 100,946	\$ 88,129	\$ 126,362	\$ 508,720
Water and Sewer	-	-	-	1,593	1,593
Total	<u>\$ 193,283</u>	<u>\$ 100,946</u>	<u>\$ 88,129</u>	<u>\$ 127,955</u>	<u>\$ 510,313</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.

Transfer from Street Reserve Fund to Capital Improvement Fund for \$1,212 is to move residual amounts which are now 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.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2020, 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	\$ 151,326	\$ 8,674
Sanitary Collection System - Phase 1 -SA#31	787,000	635,657	151,343
General Engineering - SA#38	165,000	133,564	31,436
Municipal Airport Water Main Project -SA#34	84,000	34,587	49,413
Sanitary Collection System - Phase 2 -SA#36	800,000	607,669	192,331
GC RCW Pump Station -SA#37	17,000	14,509	2,491
Water System Improvements & Design Phase 1 -SA#39	487,500	30,710	456,790
Hanson Professional Services:			
Taxiway "B" Engineering	254,527	224,864	29,663
Taxiway "B" Construction Engineering	86,752	5,534	81,218
Woodruff			
Sanitary Collection System Improvements - Phase 1	6,517,420	4,578,683	1,938,737
Southern Underground Industries			
CDBG Lincoln Park Construction	1,686,156	1,267,776	418,380
Boyd Irrigation			
Reclaimed Water Pond and Pump Station	355,710	326,690	29,020
Total	<u>\$ 11,401,065</u>	<u>\$ 8,011,569</u>	<u>\$ 3,389,496</u>

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.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

	Police Officers' and Firefighters' Retirement System	Employees' Retirement System	Total
ASSETS			
Cash	\$ -	\$ 16,154	\$ 16,154
Contributions Receivable	11,795	35,380	47,175
Interest and Dividends Receivable	14,927	-	14,927
Investments	10,388,515	3,819,359	14,207,874
Total Assets	10,415,237	3,870,893	14,286,130
LIABILITIES			
Accounts Payable	10,674	-	10,674
NET POSITION			
Net Position Restricted for Pension Benefits	<u>\$ 10,404,563</u>	<u>\$ 3,870,893</u>	<u>\$ 14,275,456</u>
	Police Officers' and Firefighters' Retirement System	Employees' Retirement System	Total
ADDITIONS			
Contributions:			
Employer	\$ 299,665	\$ 394,153	\$ 693,818
Plan Member	73,354	61,881	135,235
State of Florida	96,761	-	96,761
Total Contributions	469,780	456,034	925,814
Investment Income:			
Investment Earnings	906,080	392,013	1,298,093
Less: Investment Expenses	(66,266)	(12,310)	(78,576)
Net Investment Income	839,814	379,703	1,219,517
Total Additions	1,309,594	835,737	2,145,331
DEDUCTIONS			
Benefits	596,670	205,373	802,043
Administrative Expenses	52,916	54,420	107,336
Total Deductions	649,586	259,793	909,379
CHANGE IN NET POSITION	660,008	575,944	1,235,952
Net Position - Beginning of Year	9,744,555	3,294,949	13,039,504
NET POSITION - END OF YEAR	<u>\$ 10,404,563</u>	<u>\$ 3,870,893</u>	<u>\$ 14,275,456</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan

Plan Description

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

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

- 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, 2020, membership consisted of:

Inactive Plan Members or Beneficiaries Currently	
Receiving Benefits	23
Inactive Plan Members Entitled to But Not Yet	
Receiving Benefits	10
Active Plan Members	<u>36</u>
Total	<u><u>69</u></u>

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

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Plan Description (Continued)

Prior to September 20, 2011:

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

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 Normal Retirement Date)	Annuity equals the accrued benefit based on service to early retirement date, reduced by early retirement factors.

Since the Plan is in the form of a life annuity, there is no post retirement cost of living increases. 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. By City resolution the City is required to contribute actuarially determined amounts which, together with member contributions, are sufficient to fund the System.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020. 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, 2020 were as follows:

Total Pension Liability	\$ 4,128,201
Plan Fiduciary Net Position	(3,870,893)
City's Net Pension Liability	<u><u>\$ 257,308</u></u>

Changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - September 30, 2019	\$ 4,007,653	\$ 3,294,949	\$ 712,704
Changes for the Year:			
Service Cost	151,054	-	151,054
Interest	243,451	-	243,451
Difference Between Expected and Actual Experience	33,267	-	33,267
Changes of Assumptions	(101,851)		(101,851)
Contributions - Employer	-	394,153	(394,153)
Contributions - Employee	-	61,881	(61,881)
Net Investment Income	-	379,703	(379,703)
Benefit Payments, Including Refunds of Employee Contributions	(205,373)	(205,373)	-
Administrative Expenses	-	(54,420)	54,420
Net Changes	<u>120,548</u>	<u>575,944</u>	<u>(455,396)</u>
Balance - September 30, 2020	<u><u>\$ 4,128,201</u></u>	<u><u>\$ 3,870,893</u></u>	<u><u>\$ 257,308</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.77%
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For the year ended September 30, 2020, the City recognized pension expense of \$31,533 for the plan. At September 30, 2020, 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	\$ 66,583	\$ 137,555
Changes of Assumptions	157,214	83,025
Differences Between Expected and Actual Investment Earnings	112,388	-
Total	<u><u>\$ 336,185</u></u>	<u><u>\$ 220,580</u></u>

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability of the City (Continued)

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>
2021	\$ 55,946
2022	45,160
2023	16,904
2024	1,091
2025	(3,496)
Total	<u>\$ 115,605</u>

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

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2020, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2020, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.16 %
Salary Increases	4.50
Investment Rate of Return	6.00

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity - Large Cap	20.00 %	6.06 %
U.S. Equity - Small/Mid Cap	15.00	7.21
Non-U.S. Equity - Developed	15.00	6.77
U.S. Corporate Bonds - Intermediate	10.00	1.54
U.S. Treasuries (Aetna Guaranteed Inv. Acct.)	40.00	0.11
Total	<u>100.00 %</u>	

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability of the City (Continued)

For the year ended September 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.60%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amount actually invested.

Discount Rate: The discount rate used to measure the total pension liability for the Employees' Retirement Plan was 6.00%, which was no change from the discount rate used for the prior measurement.

The projection of cash flows used to determine the discount rate assumes that City contributions will be made according to their established funding policy to contribute the actuarially determined contribution. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
City's Net Pension Liability	<u>\$ 1,100,669</u>	<u>\$ 257,308</u>	<u>\$ 117,983</u>

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, 2020, and the current sharing pattern of costs between employer and employee.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability of the City (Continued)

Actuarial methods and assumptions used in the January 1, 2020 actuarial valuation report were as follows:

Actuarial Valuation Date	January 1, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Retirement Age	Normal Retirement Age, Age 65
Mortality	PubG-2010(B) Generational Table, Amounts Weighted, with projections by scale MP-2018

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.

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, 2020, membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	6
Active Plan Members	<u>17</u>
Total	<u><u>48</u></u>

Benefits

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

Retirement:

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Benefits (Continued)

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).

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, 2020 is \$839,172.

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, 2020 was 53.91% 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, 2020 were \$96,761.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Funding Policy (Continued)

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

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2019. 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	\$ 10,576,494
Plan Fiduciary Net Position	(9,744,555)
City's Net Pension Liability	<u>\$ 831,939</u>

Changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - September 30, 2018	\$ 11,286,107	\$ 10,667,029	\$ 619,078
Changes for the Year:			
Service Cost	164,914	-	164,914
Interest	804,169	-	804,169
Change in Benefit Terms	-	-	-
Changes in Experience	(37,475)	-	(37,475)
Changes of Assumptions	98,469	-	98,469
Contributions - Employer	-	327,876	(327,876)
Contributions - State	-	93,626	(93,626)
Contributions - Employee	-	79,206	(79,206)
Net Investment Income	-	361,856	(361,856)
Benefit Payments, Including Refunds of Employee Contributions	(1,739,690)	(1,740,077)	387
Administrative Expenses	-	(44,961)	44,961
Net Changes	<u>(709,613)</u>	<u>(922,474)</u>	<u>212,861</u>
Balance - September 30, 2019	<u>\$ 10,576,494</u>	<u>\$ 9,744,555</u>	<u>\$ 831,939</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.13%
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CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, the City recognized pension expense of (\$83,016) for the plan. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 87,199
Changes of Assumptions	97,738	-
Differences Between Expected and Actual Investment Earnings	253,463	-
City Pension Plan Contributions Subsequent to the Measurement Date	299,665	-
Total	<u>\$ 650,866</u>	<u>\$ 87,199</u>

The deferred outflows of resources related to the Pension Plan, totaling \$299,665 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, 2021. 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>
2021	\$ 39,467
2022	44,355
2023	100,138
2024	80,042
Total	<u>\$ 264,002</u>

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

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2018, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2019, 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	7.50

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2019 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
Fixed Income (Core)	25.00	2.50
Global Fixed Income	5.00	3.50
Real Estate	10.00	4.50
Total	<u>100.00%</u>	

For the year ended September 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amount actually invested.

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.50%, which was a decrease of 0.10% from the 7.60% rate used for the prior measurement.

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:

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Net Pension Liability of the City (Continued)

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's Net Pension Liability as of the Measurement Date	<u>\$ 1,921,426</u>	<u>\$ 831,939</u>	<u>\$ (65,698)</u>

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, 2019 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, 2020 were as follows:

Total Pension Liability	\$ 11,390,591
Plan Fiduciary Net Position	(10,404,563)
City's Net Pension Liability	<u>\$ 986,028</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.34%

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, 2019, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2020, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary Increases	Service Based
Investment Rate of Return	6.75

Mortality rates were based on the PubS.H-2010 (Below Median) for Employees, set forward one year.

The actuarial assumptions used in the October 1, 2019 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, 2020

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, 2020 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 Bonds	30.00	2.50
Real Estate	10.00	4.50
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 6.75%. The discount rate was lowered from 7.50% to 6.75%.

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
City's Net Pension Liability			
On the Plan's Fiscal Year-End	<u>\$ 2,199,346</u>	<u>\$ 986,028</u>	<u>\$ (14,711)</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020 and the current sharing pattern of costs between employer and employee.

Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

Description	Police Officers' and Firefighters' Retirement System	Employees' Retirement System	Total
Net Pension Liability	\$ 831,939	\$ 257,308	\$ 1,089,247
Deferred Outflows of Resources Related to Pensions	650,866	336,185	987,051
Deferred Inflows of Resources Related to Pensions	87,199	220,580	307,779
Pension Expense	(83,016)	31,533	(51,483)

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 fund has been established for the Plan, and there are no assets accumulated in trust for payment of benefits. 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 95% 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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

At September 30, 2020, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	20
Active Plan Members	81
Total	<u>101</u>

Total OPEB Liability

The City's Total OPEB liability was measured as of September 30, 2019 and was determined by an actuarial valuation as of September 30, 2019 using the alternative measurement method. There were less than 100 employees being provided OPEB benefits as of the beginning of the measurement date. The following table shows the City's total OPEB liability for the year ended September 30, 2020.

	Total OPEB Liability
Balances - October 1, 2018	<u>\$ 1,796,380</u>
Changes for the Year:	
Service Cost	31,896
Interest	66,444
Changes in Assumptions	50,440
Differences Between Expected and Actual Experience	209,558
Benefit Payments	<u>(186,885)</u>
Net Changes	<u>171,453</u>
Balances - September 30, 2019	<u><u>\$ 1,967,833</u></u>

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	1.75 %	2.75 %	3.75 %
Total OPEB Liability	\$ 2,121,892	\$ 1,967,833	\$ 1,821,038

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	5.50 %	6.50 %	7.50 %
Total OPEB Liability	\$ 1,893,317	\$ 1,967,833	\$ 2,051,886

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended September 30, 2020, the City recognized an OPEB expense of \$358,338. At September 30, 2020, the City reported deferred outflows of resources related to OPEB totaling \$126,964 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, 2021.

Actuarial Assumptions

The total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary Increases	5.0%
Healthcare Cost	6.50% for fiscal year beginning 2020, 6.25% for fiscal
Trend Rates	year beginning 2021 and then gradually decreasing to an ultimate trend rate of 4.00%.

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 2.75%, 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 75 valuation, the following changes have been made:

- The discount rate was changed from 3.83% as of the previous measurement date to 2.75% as of September 30, 2019 (based on the Long-Term Municipal rate).
- The premiums were updated based on the information provided for this valuation.
- Inflation and health care cost trend rates were updated.

NOTE 12 DEFICITS

The Disaster Assistance Fund has a fund balance deficit of \$193,283. This deficit is due amounts spent in anticipation of FEMA grant and other insurance reimbursements related to hurricane Irma.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 13 SUBSEQUENT EVENTS

The City currently has an agreement with the Florida Department of Environment Protection (FDEP) for planning and design of the City's new well and water main extensions project with an award amount of \$487,500. Of this amount, \$243,750, is to be forgiven once the loan becomes due to the FDEP. Although, there have been no draws as of September 30, 2020, these projects are currently in process and amounts are being drawn upon this agreement through May 6, 2021.

The City approved Amendment 8 to the State Revolving Loan Fund Agreement DW140100 which extended the final maturity date by 10 years to July 15, 2045.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 2,790,148	\$ 2,875,659	\$ 2,868,172	\$ (7,487)
Charges for Services	579,290	478,758	478,365	(393)
Permits, Fees, and Assessments	732,000	739,420	726,235	(13,185)
Intergovernmental	1,601,314	1,279,159	1,276,182	(2,977)
Fines and Forfeitures	72,500	64,684	64,811	127
Interest Revenue	30,000	23,127	23,333	206
Other Revenues	293,900	414,213	415,049	836
Total Revenues	6,099,152	5,875,020	5,852,147	(22,873)
EXPENDITURES				
General Government:				
Legislative	67,030	54,030	52,027	2,003
Executive	394,964	353,331	349,828	3,503
Financial and Administrative	204,892	228,470	227,331	1,139
Way Building	46,757	38,757	37,086	1,671
Legal	55,281	20,281	18,193	2,088
Comprehensive Planning	76,221	76,221	71,143	5,078
Code Enforcement	173,305	144,345	143,705	640
Other Governmental Services	397,628	398,034	393,202	4,832
Total General Government	1,416,078	1,313,469	1,292,515	20,954
Public Safety:				
Law Enforcement	1,943,794	2,040,901	2,053,330	(12,429)
Fire Control	430,267	449,714	442,868	6,846
School Crossing Guard	21,998	16,998	13,807	3,191
Total Public Safety	2,396,059	2,507,613	2,510,005	(2,392)
Physical Environment:				
Cemetery	128,341	97,341	92,733	4,608
Stormwater	25,000	25,000	35,796	(10,796)
Total Physical Environment	153,341	122,341	128,529	(6,188)
Transportation:				
Garage	69,469	54,469	49,829	4,640
Roads and Streets	491,038	347,337	366,983	(19,646)
Traffic Control	188,920	160,920	152,907	8,013
Total Transportation	749,427	562,726	569,719	(6,993)
Culture and Recreation:				
Golf Course	655,849	610,368	611,515	(1,147)
Parks	342,832	296,013	294,116	1,897
Mobile Home Park	203,352	106,352	103,732	2,620
Total Culture and Recreation	1,202,033	1,012,733	1,009,363	3,370
Capital Outlay	786,781	576,379	484,432	91,947
Debt Service:				
Interest	19,985	-	-	-
Total Debt Service	19,985	-	-	-
Total Expenditures	6,723,704	6,095,261	5,994,563	100,698
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(624,552)	(220,241)	(142,416)	77,825
OTHER FINANCING SOURCES				
Insurance Recoveries	-	20,449	20,449	-
NET CHANGE IN FUND BALANCE	(624,552)	(199,792)	(121,967)	77,825
Fund Balance - Beginning of Year	2,130,348	2,130,348	2,130,348	-
FUND BALANCE - END OF YEAR	<u>\$ 1,505,796</u>	<u>\$ 1,930,556</u>	<u>\$ 2,008,381</u>	<u>\$ 77,825</u>

**CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020**

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.

For the year-ended September 30, 2020, the following departments reported expenditures in excess of budget appropriations, after taking into consideration the respective amounts within capital outlay which pertains to the departments: Other Governmental Services, Law Enforcement, and Golf Course.

CITY OF ARCADIA, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS —
EMPLOYEES' RETIREMENT PLAN
LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service Cost	\$ 151,054	\$ 121,843	\$ 113,910	\$ 108,246	\$ 52,713	\$ 49,670	\$ 68,971
Interest on Total Pension Liability	243,451	248,638	234,495	219,943	205,389	195,956	202,194
Differences Between Expected and Actual Experience	33,267	(200,365)	48,135	76,991	(18,274)	66,851	(193,138)
Changes of Assumptions	(101,851)	229,002	-	-	111,019	-	-
Benefit Payments, Including Refunds of Employee Contributions	(205,373)	(186,699)	(187,080)	(186,860)	(178,227)	(162,803)	(146,834)
Net Change in Total Pension Liability	120,548	212,419	209,460	218,320	172,620	149,674	(68,807)
Total Pension Liability - Beginning of Year	4,007,653	3,795,234	3,585,774	3,367,454	3,194,834	3,045,160	3,113,967
Total Pension Liability - End of Year	<u>\$ 4,128,201</u>	<u>\$ 4,007,653</u>	<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	\$ 394,153	\$ 350,254	\$ 336,153	\$ 267,632	\$ 226,870	\$ 198,247	\$ 143,577
Contributions - Employee	61,881	65,972	53,575	49,297	50,387	46,964	30,416
Net Investment Income	379,703	264,029	60,618	143,978	154,439	(64,042)	99,110
Benefit Payments, Including Refunds of Member Contributions	(205,373)	(186,699)	(187,080)	(186,860)	(178,227)	(162,803)	(146,834)
Administrative Expenses	(54,420)	(57,207)	(54,848)	(66,045)	(55,661)	(2,648)	(2,735)
Net Change in Plan Fiduciary Net Position	575,944	436,349	208,418	208,002	197,808	15,718	123,534
Plan Fiduciary Net Position - Beginning of Year	3,294,949	2,858,600	2,650,182	2,442,180	2,244,372	2,228,654	2,105,120
Plan Fiduciary Net Position - End of Year	<u>\$ 3,870,893</u>	<u>\$ 3,294,949</u>	<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>\$ 257,308</u>	<u>\$ 712,704</u>	<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	93.77%	82.22%	75.32%	73.91%	72.52%	70.25%	73.19%
Covered Payroll	\$ 1,268,533	\$ 1,108,011	\$ 1,066,573	\$ 944,307	\$ 952,475	\$ 640,695	\$ 594,195
City's Net Pension Liability as a Percentage of Covered Payroll	20.28%	64.32%	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 SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 288,892	\$ 304,500	\$ 278,415	\$ 267,630	\$ 226,870	\$ 158,901	\$ 151,965
Contributions in Relation to the Actuarially Determined Contribution	394,153	323,679	336,153	267,632	226,870	198,247	143,577
Contribution Deficiency (Excess)	<u>\$ (105,261)</u>	<u>\$ (19,179)</u>	<u>\$ (57,738)</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (39,346)</u>	<u>\$ 8,388</u>
Covered Payroll	\$ 1,268,533	\$ 1,108,011	\$ 1,066,573	\$ 944,307	\$ 952,475	\$ 640,695	\$ 594,195
Contributions as a Percentage of Covered Payroll	31.07%	29.21%	31.52%	28.34%	23.82%	30.94%	24.16%

NOTES:

Valuation Date January 1, 2020

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:	0 years
Asset Valuation Method:	Book Value
Salary Increases:	4.50%
Investment Rate of Return:	6.00%
Retirement Age:	Normal Retirement Age, Age 65
Inflation:	2.16% per Year
Mortality:	PubG-2010(B) Generational Table, Amounts Weighted, with projections by scale MP-2018

Additional years will be included as the years become available.

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

	<u>2020</u>	<u>2019</u>	<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	4.60%	3.91%	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 SEVEN FISCAL YEARS

Plan Reporting Period Ended	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Employer Measurement Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
TOTAL PENSION LIABILITY								
Service Cost	\$ 184,309	\$ 164,914	\$ 144,270	\$ 118,714	\$ 124,084	\$ 117,101	\$ 119,940	\$ 111,056
Interest on Total Pension Liability	784,690	804,169	831,024	816,370	805,108	768,557	741,182	717,978
Differences Between Expected and Actual Experience	(8,334)	(37,475)	(186,644)	(239,400)	(367,052)	132,719	-	-
Changes of Assumptions	449,973	98,469	96,277	99,936	242,339	93,816	-	-
Benefit Payments, Including Refunds of Employee Contributions	(596,541)	(1,739,690)	(494,135)	(495,752)	(552,372)	(517,422)	(514,785)	(580,930)
Net Change in Total Pension Liability	814,097	(709,613)	390,792	299,868	252,107	594,771	346,337	248,104
Total Pension Liability - Beginning of Year	10,576,494	11,286,107	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>\$ 11,390,591</u>	<u>\$ 10,576,494</u>	<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	\$ 299,665	\$ 327,876	\$ 303,985	\$ 235,123	\$ 309,290	\$ 238,735	\$ 381,020	\$ 247,435
Contributions - State	96,761	93,626	94,361	90,534	95,602	202,172	-	109,590
Contributions - Employee	73,354	79,206	73,666	62,742	55,177	52,059	48,565	56,484
Net Investment Income	839,814	361,856	671,819	1,089,931	552,032	(23,626)	555,671	888,134
Benefit Payments, Including Refunds of Member Contributions	(596,670)	(1,740,077)	(493,748)	(497,056)	(552,372)	(517,422)	(514,820)	(580,930)
Administrative Expenses	(52,916)	(44,961)	(47,591)	(38,325)	(35,465)	(40,910)	(32,798)	(30,115)
Net Change in Plan Fiduciary Net Position	660,008	(922,474)	602,492	942,949	424,264	(88,992)	437,638	690,598
Plan Fiduciary Net Position - Beginning of Year	9,744,555	10,667,029	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>\$ 10,404,563</u>	<u>\$ 9,744,555</u>	<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>\$ 986,028</u>	<u>\$ 831,939</u>	<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	91.34%	92.13%	94.51%	92.37%	86.09%	84.09%	90.13%	88.79%
Covered Payroll	\$ 793,311	\$ 825,064	\$ 752,655	\$ 653,565	\$ 574,759	\$ 748,459	\$ 505,532	\$ 588,375
City's Net Pension Liability as a Percentage of Covered Payroll	124.29%	100.83%	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 SEVEN FISCAL YEARS**

Reporting Period Ending	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Actuarially Determined Contribution	\$ 351,516	\$ 421,608	\$ 450,615	\$ 371,814	\$ 403,079	\$ 344,295	\$ 381,020	\$ 357,026
Contributions in Relation to the								
Actuarially Determined Contribution	396,426	421,608	398,346	325,658	404,892	344,295	381,020	357,026
Contribution Deficiency (Excess)	<u>\$ (44,910)</u>	<u>\$ -</u>	<u>\$ 52,269</u>	<u>\$ 46,156</u>	<u>\$ (1,813)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 793,311	\$ 825,064	\$ 752,655	\$ 653,565	\$ 574,759	\$ 748,459	\$ 505,532	\$ 588,375
Contributions as a Percentage of Covered Payroll	49.97%	51.10%	52.93%	49.83%	70.45%	46.00%	75.37%	60.68%

Notes:

Valuation Date October 1, 2018

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: New UALL amortization bases are established according to the following amortization periods:

Experience: 10 Years

Assumption/Method Changes: 20 Years

Benefit Changes: 30 years.

Remaining Amortization Period: 30 Years (as of October 1, 2018)

Asset Valuation Method: The actuarial value of assets is brought forward using the historical four-year geometric average of Market value return (net-of-fees). Over time, this may result in an insignificant bias that is above or below the market value of assets.

Inflation: 2.5% per Year

Salary Increases:

Years of Service	Increase in Compensation
0-1	20.00 %
2-4	5.00
5+	4.50

Interest Rate: 7.60% per Year, Compounded Annually, Net of Investment-Related Expenses

Payroll Growth: None

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

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.

Notes to Schedule

Changes of assumptions:

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

Additionally, the following assumption changes were made as a result of the experience study dated July 15, 2020:

- The investment return assumption was lowered to 6.75%.
- The salary increase assumption was changed to 20.00% for those with less than 2 years of service, 5.00% for those with 2-4 years of service, and 4.50% for those with 5 or more years of service.
- The normal retirement rate assumption was changed to 100% upon attaining age 55, 33% each year upon attaining 20 years of service, and 100% upon attaining 23 years of service. In addition, the early retirement rate assumption was removed.
- The termination rate assumption was changed to 20% for those with less than 6 years of service and 10% for those with 6 or more years of service.

For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.60% to 7.50%.

For measurement date 9/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%.

For measurement date 9/30/2017, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report. Additionally, the investment rate of return was lowered from 7.80% to 7.70%.

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

Reporting Period Ending	<u>9/30/2020</u>	<u>9/30/2019</u>	<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	8.73%	3.49%	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, 2020**

Employer Measurement Date	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 31,896	\$ 33,378	\$ 35,669
Interest	66,444	65,089	62,011
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	209,558	-	-
Changes of Assumptions	50,440	(42,741)	(58,551)
Benefit Payments	(186,885)	(171,312)	(183,719)
Net Change in Total OPEB Liability	171,453	(115,586)	(144,590)
Total OPEB Liability - Beginning	1,796,380	1,911,966	2,056,556
Total OPEB Liability - Ending	<u>\$ 1,967,833</u>	<u>\$ 1,796,380</u>	<u>\$ 1,911,966</u>
Covered Employee Payroll	\$ 2,960,663	\$ 2,224,201	\$ 2,378,033
Total OPEB Liability as a Percentage of the Covered Employee Payroll	66.47 %	80.77 %	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:

The discount rate was updated from 3.50% as of September 30, 2017 to 3.83% as of September 30, 2018.

For measurement date September 30, 2019:

- Discount rate changed to 2.75% (from 3.83%)
- Premiums were updated based on information provided
- Updated inflation and healthcare cost trend rates.

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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 611,448	\$ 611,448	\$ 630,611	\$ 19,163
Interest Revenue	-	-	15,989	15,989
Total Revenues	611,448	611,448	646,600	35,152
EXPENDITURES				
General Government	85,000	50,000	83,331	(33,331)
Culture and Recreation	-	-	1,086	(1,086)
Capital Outlay	1,046,198	696,907	635,253	61,654
Debt Service:				
Principal Retirement	163,858	134,389	127,783	6,606
Interest	-	14,116	19,984	(5,868)
Total Expenditures	1,295,056	895,412	867,437	27,975
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(683,608)	(283,964)	(220,837)	63,127
OTHER FINANCING USES				
Transfers In	-	-	1,212	1,212
NET CHANGE IN FUND BALANCE	(683,608)	(283,964)	(219,625)	64,339
Fund Balance - Beginning of Year	2,310,748	2,310,748	2,310,748	-
FUND BALANCE - END OF YEAR	<u>\$ 1,627,140</u>	<u>\$ 2,026,784</u>	<u>\$ 2,091,123</u>	<u>\$ 64,339</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, 2020

	Police Officers' and Firefighters' Retirement System	Employees' Retirement Plan	Total
ASSETS			
Cash	\$ -	\$ 16,154	\$ 16,154
Contributions Receivable	11,795	35,380	47,175
Interest and Dividends Receivable	14,927	-	14,927
Investments:			
Short-Term Investments	219,532	-	219,532
Common Stock	3,016,522	-	3,016,522
Foreign Stock	90,526	-	90,526
U.S. Government Obligations	1,217,829	-	1,217,829
Mortgage/Asset-Backed Securities	569,885	-	569,885
Corporate Bonds	1,080,859	-	1,080,859
Foreign Bonds	37,968	-	37,968
Mutual Funds - Equity	3,093,688	1,543,405	4,637,093
Mutual Funds - Fixed Income	-	346,938	346,938
Nonparticipating Interest-Earning Contract	-	1,929,016	1,929,016
Real Estate Fund	1,061,706	-	1,061,706
Total Investments	<u>10,388,515</u>	<u>3,819,359</u>	<u>14,207,874</u>
 Total Assets	 10,415,237	 3,870,893	 14,286,130
LIABILITIES			
Accounts Payable	<u>10,674</u>	<u>-</u>	<u>10,674</u>
NET POSITION			
Net Position Restricted for:			
Pension Benefits	<u>\$ 10,404,563</u>	<u>\$ 3,870,893</u>	<u>\$ 14,275,456</u>

CITY OF ARCADIA, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	Police Officers' and Firefighters' Retirement System	Employees' Retirement Plan	Total
ADDITIONS			
Contributions:			
Employer	\$ 299,665	\$ 394,153	\$ 693,818
State of Florida	96,761	-	96,761
Plan Members	73,354	61,881	135,235
Total Contributions	469,780	456,034	925,814
Investment Income:			
Investment Income	906,080	392,013	1,298,093
Less: Investment Expenses	(66,266)	(12,310)	(78,576)
Net Investment Income	839,814	379,703	1,219,517
Total Additions	1,309,594	835,737	2,145,331
DEDUCTIONS			
Benefits	596,670	205,373	802,043
Administrative Expenses	52,916	54,420	107,336
Total Deductions	649,586	259,793	909,379
CHANGE IN NET POSITION	660,008	575,944	1,235,952
Net Position - Beginning of Year	9,744,555	3,294,949	13,039,504
NET POSITION - END OF YEAR	<u>\$ 10,404,563</u>	<u>\$ 3,870,893</u>	<u>\$ 14,275,456</u>

OTHER REPORTS

CITY OF ARCADIA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2020

Federal/State Grantor / Pass through Grantor / Program/Project or Cluster Title	CFDA/ CSFA Number	Pass-Through Entity Identifying Number	Federal/ State Expenditures	Passed Through to Subrecipients
<u>Federal Awards</u>				
U.S. Department of Justice				
Public Safety Partnership and Community Policing Grant	16.710	2018SVWX0009	\$ 125,569	\$ 125,569
Edward Byrne Memorial Justice Assistance Grant	16.738	2020-JAGD-DESO-2-Y6-047	1,712	-
Edward Byrne Memorial Justice Assistance Grant	16.738	2019-JAGD-DESO-2-N3-079	1,701	-
Total Edward Byrne Memorial Justice Assistance Grant			3,413	-
Pass Through from Florida Attorney General				
Crime Victim Assistance	16.575	VOCA-2019-ARCADIA POLICE DEPT-00060	45,446	-
Total U.S. Department of Justice			174,428	125,569
U.S. Department of Homeland Security				
Pass Through from Florida Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	8402F	290,287	-
Hazard Mitigation Grant	97.039	H0215	29,722	-
Total U.S. Department of Homeland Security			320,009	-
U.S. Department of Transportation				
COVID-19 Airport Improvement Program	20.106	3-12-0093-009-2020	6,200	-
Airport Improvement Program	20.106	3-12-0093-010-2020	5,534	-
Airport Improvement Program	20.106	3-12-0093-007-2019	203,815	-
Total Airport Improvement Program			215,549	-
U.S. Department of Housing and Urban Development				
Pass Through from Florida Department of Economic Opportunity				
Community Development Block Grants	14.228	18-DB-OM-07-24-02-N-30	750,000	-
Total Expenditures of Federal Awards			\$ 1,459,986	\$ 125,569
<u>State Financial Assistance</u>				
Florida Department of Transportation				
Small County Outreach Program (SCOP)	55.009	G1H90	\$ 22,249	\$ -
Small County Outreach Program (SCOP)	55.009	G0J78	81,520	-
Small County Outreach Program (SCOP)	55.009	G0J79	296,286	-
Total Small County Outreach Program (SCOP)			400,055	-
Aviation Grant Programs	55.004	G1233	22,086	-
Total Florida Department of Transportation			422,141	-
Florida Department of Environmental Protection				
Wastewater Treatment Facility Construction - Phase I	37.077	WW140111	3,817,121	-
Wastewater Treatment Facility Construction - Phase II	37.077	WW140113	447,842	-
Total Wastewater Treatment Facility Construction			4,264,963	-
Florida Department of State and Secretary of State				
Historic Preservation Grants	45.031	20.h.sm.100.143	50,000	-
Total Expenditures of State Financial Assistance			\$ 4,737,104	\$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

CITY OF ARCADIA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal award and state financial assistance activity of City of Arcadia, Florida (City) under programs of the federal government and state of Florida for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 69I-5, Rules of the Florida Department of Financial Services. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for awards and financial assistance recorded in governmental funds and the accrual basis of accounting for awards and financial assistance recorded in the proprietary funds, which are described in Note 1 to the City's basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* or Chapter 69I-5, Rules of the Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the City. As of May 6, 2021, there were no material questioned or disallowed costs as a result of grant audits in process or completed.



**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 6, 2021.

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) as a basis for designing 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 questioned costs as items 2020-001 and 2020-002 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 financial statements. 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 Responses to Findings

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

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Sebring, Florida
May 6, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Arcadia, Florida's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2020. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits. Those standards, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sebring, Florida
May 6, 2021

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS —
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED SEPTEMBER 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? yes X none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of Major Federal Programs

CFDA Number(s)

14.228

Name of Federal Program or Cluster

Community Development Block Grants

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

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS —
FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Section I – Summary of Auditors' Results (Continued)

State Financial Assistance

1. Internal control over state projects:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

2. Type of auditors' report issued on compliance for state projects:

Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General?

_____ yes X no

Identification of Major State Projects

CSFA Number(s)

37.077

Name of State Project

Wastewater Treatment Facility Construction

Dollar threshold used to distinguish between Type A and Type B state projects:

\$ 750,000

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS —
FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Section II – Financial Statement Findings

2020-001 – Bank Reconciliations

Type of Finding

- Material Weakness in Internal Control Over Financial Reporting

Condition: The City's pooled cash bank account reconciliations contained material 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: Understanding of the design and implementation of internal controls over financial reporting and substantive testing of the bank reconciliations identified the deficiency.

Effect: Not completely 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.

Cause: The City experienced turnover in the accounting department, coupled with cash posting errors for transactions outside the normal course of business.

Repeat Finding: Previously reported as 2019-001, 2018-001, and 2017-001.

Recommendation: Management should improve its bank reconciliation process by preparing more accurate and timely reconciliations.

Views of responsible officials and planned corrective actions: Management concurs with this finding and is intent on further improving bank reconciliation processes. Each year, steps have been taken to improve processes. Since May of 2019, the Finance Department has had a dedicated full-time staff member who is responsible for reconciling accounts. We continue to reconcile our stand-alone bank statements timely; however, the pooled cash account continues to cause issue. The original set up of the pooled cash account is keeping us from being able to reconcile using the Tyler/Munis accounting software reconciliation module. Finance staff received training from our accounting software provider in March of 2021, and now once the entries for the 2020 year have been posted we will be able to use the Tyler/Munis reconciliation module to complete the monthly reconciliations

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS —
FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Section II – Financial Statement Findings (Continued)

2020-002 – 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.

Accounts including capital assets, accounts and retainage payable, accrued liabilities, fund balance, and expenditures/expenses did not reconcile to supporting documentation or contained errors that were not detected during review of account balances.

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, and expenditures/expenses were misstated.

Cause: Reconciliation and review processes did not detect errors in account balances.

Repeat Finding: Previously reported as 2019-002, 2018-002, and 2017-002.

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. Trial balances should be reviewed to ensure that all accounts are reconciled and any related adjustments are posted.

Views of responsible officials and planned corrective actions: Management concurs with this finding. Although this general finding is a repeat of prior years, the specifics are not the same. Management continues to put processes in place to ensure that reconciliations of all balance sheet accounts are completed monthly.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS —
FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Findings and Questioned Costs – Major State Projects

Our audit did not disclose any matters required to be reported in accordance with Chapter 10.550, Rules of the Auditor General.



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, 2020, and have issued our report thereon dated May 6, 2021.

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida 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 Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's 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 and schedule, which are dated May 6, 2021, 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 2019-004 in the accompanying schedule of findings and responses.

Special District Component Units

Section 10.554(1)(i)5.c., 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 failed to provide 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. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, 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
May 6, 2021

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2020**

STATUS OF PRIOR YEAR FINDINGS

Prior Year Findings		Current	2018-2019	2017-2018
		Year Finding #	Year Finding #	Year Finding #
Bank Reconciliations	Material Weakness	2020-001	2019-001	2018-001
Account Reconciliations and Audit Adjustments	Material Weakness	2020-002	2019-002	2018-002
Reporting (Airport Improvement Program)	Material Weakness	Not Reported	2019-003	N/A
Budget	Control Deficiency and State Compliance	2020-003	2019-004	2018-004

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2019-003: Budget

Type of Finding

- State Compliance
- Internal Control Over Compliance

Condition: For the year ended September 30, 2020 the General Fund other governmental services, law enforcement, and golf course departments exceeded their final budgets.

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. Total General Fund expenditures were within final budget.

Effect: The General Fund other governmental services, law enforcement, and golf course departments reported expenditures in excess of the respective final budgets.

Cause: Expenditures exceeded budget due to expenditures recorded after fiscal year-end which were incurred in fiscal year 2020.

Recommendation: Budgets should be monitored at the department level, and budget amendments should include any additional expenditures anticipated as part of the year-end accruals.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2019-003: Budget (Continued)

Views of Responsible Officials: Management continues to take very seriously the importance of not exceeding the annual budget as adopted by City Council. This finding represents two general fund departments: Law Enforcement and Golf Course. The overages were not a result of overspending by the departments. All departments stayed within their budgeted amounts. The overages were caused by accounting entries. At the time the Budget Amendment was written for Council approval (per FL Statute, 11/30/2019), it was uncertain what our total revenues would be, so in an effort to ensure expenses did not exceed revenues (and many revenues were lower because of the effects of COVID-19), the Finance Director adjusted budgeted amounts in departments and did not leave enough in the accounts (Law Enforcement and the Golf Course) to cover the payroll accruals that had to be posted. When the accruals were posted, the amounts in those two departments went over budget (Law Enforcement by \$12,429 and Golf Course by \$1,147). Even with the above departments exceeding budget, total general fund actual expenses were \$101,435 less than what was budgeted.



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, 2020. 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, 2020.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sebring, Florida
May 6, 2021



P.O. Drawer 1000 • Arcadia, Florida 34265

**CITY OF ARCADIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2019**

City of Arcadia respectfully submits the following summary schedule of prior audit findings for the year ended September 30, 2020.

Audit period: 10/1/2019-9/30/2020

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2019 – 001 Bank Reconciliations

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.

Status: See current year finding 2020-001

Reason for finding's recurrence: The City's pooled cash bank account reconciliations contained material errors.

Corrective Action: Each year, steps have been taken to improve processes; however, the pooled cash reconciliation process is still an issue. We have been unable to utilize a more automated process using our computer software because of the initial computer setup in our accounting module.

Finance staff received training from our accounting software provider in March of 2021, and now once the entries for the 2020 year have been posted we will be able to use the Tyler/Munis reconciliation module to complete the monthly reconciliations.

2019 – 002 Account Reconciliations and Audit Adjustments

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 investment balances, receivables, accounts and retainage payable, and intergovernmental revenue did not reconcile to supporting documentation or were the results of other errors.

Status: See current year finding 2020-002.

Reason for finding's recurrence: These types of errors were identified again in the current year and resulted in material adjustments to the City's financial statements.

Accounts including capital assets, accounts and retainage payable, accrued liabilities, fund balance, and expenditures/expenses did not reconcile to supporting documentation or contained errors that were not detected during review of account balances.

Corrective Action: Management continues to put processes in place to ensure that reconciliations of all balance sheet accounts are completed monthly.

FINDINGS—FEDERAL AWARE PROGRAMS AUDIT

2019 - 003: Reporting

Condition: The SF-425 Federal Financial Report was not prepared or submitted.

Status: Reports for the previous fiscal year, 2019, or the current fiscal year, 2020, have not been prepared or submitted.

Reason for finding recurrence: The SF-425 Federal Financial Report was not prepared or submitted.

Corrective Action: When it was determined that the 2019 and the 2020 filings of SF-425 had not been completed, Finance and the Airport Department worked together to get them filed immediately. The City has received confirmation from the FAA that SF-425 for 2019 and 2020 were received and accepted. Proper internal controls will be in place by Management to ensure all reporting requirements and reports are submitted in a timely manner.