

CITY OF ARCADIA, FLORIDA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016

**CITY OF ARCADIA, FLORIDA
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YEAR ENDED SEPTEMBER 30, 2016**

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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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Correction of an Error

As described in Note 13 to the financial statements, the City restated beginning balances to correct accounting errors that occurred in the prior year. Our opinion is not modified with respect to that matter.

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 13, budgetary comparison for the General Fund, McSwain Park Fund, Street Reserve Fund, and Infrastructure Fund on pages 62 through 65, information on pension benefits on pages 66 through 71, and information on other postemployment benefits on page 72 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
June 28, 2017

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(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 14).

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

Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2016, by \$30,022,284 (net position). Of this amount, \$7,679,674 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2016, the City's governmental funds reported combined ending fund balances of \$5,141,656, for a decrease of \$539,633 in comparison with the prior year. Of this amount, \$2,488,134 is available for spending at the City's discretion (unassigned fund balance).
- The City's total net position increased \$1,500,172. Net position for governmental activities increased \$428,990, while net position for business-type activities increased \$1,071,182.
- Total debt for the City decreased \$722,832 or 9.58% during the current fiscal year as a result of typical annual required principal payments.

USING THIS ANNUAL REPORT

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

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

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(UNAUDITED)**

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The focus is on "activities," rather than "fund types."

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Governmental Activities reflect the City's basic service, including police, fire, highways and streets, sanitation, and parks and recreation. Property taxes, sales and use taxes, utility services, and gas taxes finance the majority of these services. The Business-type Activities reflect private sector type operations such as water and sewer services and the airport, where the fee for service typically covers all or most of the cost of operation including depreciation.

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

The government-wide financial statements can be found on pages 14 and 15 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. The focus is now on major funds, rather than fund types.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(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 total economic resources) a reconciliation of both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances is provided (see pages 16 and 18) to facilitate the comparison between governmental funds and governmental activities. The flow of current financial resources reflects debt proceeds and the sale of capital assets as other financing sources, and capital outlays and debt principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (debt and others) into the governmental activities column (in the government-wide statements).

The City maintains six (6) individual governmental funds, three (3) proprietary funds, and two (2) fiduciary funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, McSwain Park Fund, Street Reserve Fund, and Infrastructure Fund which are considered major funds. Data from the other three (3) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report, immediately following the required supplementary information.

For fiscal year 2015-2016, the City adopted annual appropriated budgets for the General Fund, McSwain Park Fund, Street Reserve Fund, Infrastructure Fund, Capital Improvement Fund, Water and Sewer Fund, Solid Waste Fund, and Airport Fund. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 16 and 17 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 public utilities systems and airport. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not utilize internal service funds.

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

The basic proprietary fund financial statements can be found on pages 19 to 22 of this report.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(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 23 and 24 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 25 of this report.

Infrastructure Assets. Historically, a government's largest group of assets (infrastructure-roads, bridges, traffic signals, underground pipes not associated with a utility, etc.) had not been reported nor depreciated in governmental financial statements. Governmental Accounting Standards Board Statement No. 34 required that these assets be valued and reported within the governmental column of the government-wide statements. The City has elected to depreciate its infrastructure assets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$30,022,284 at the close of the most recent fiscal year.

CITY OF ARCADIA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 5,453,622	\$ 5,890,098	\$ 7,424,361	\$ 5,922,054	\$ 12,877,983	\$ 11,812,152
Capital Assets	6,455,228	5,505,324	20,506,876	21,521,595	26,962,104	27,026,919
Total Assets	11,908,850	11,395,422	27,931,237	27,443,649	39,840,087	38,839,071
Deferred Outflows of Resources	1,152,525	535,073	356,527	398,570	1,509,052	933,643
Long-Term Liabilities						
Outstanding	2,803,268	2,212,103	7,708,471	8,367,793	10,511,739	10,579,896
Other Liabilities	166,966	149,352	633,756	606,897	800,722	756,249
Total Liabilities	2,970,234	2,361,455	8,342,227	8,974,690	11,312,461	11,336,145
Deferred Inflows of Resources	7,568	-	6,826	-	14,394	-
Net Position:						
Net Investment in Capital Assets	6,455,228	5,505,324	13,913,934	13,974,297	20,369,162	19,479,621
Restricted	1,022,078	1,695,513	951,370	783,520	1,973,448	2,479,033
Unrestricted	2,606,267	2,368,203	5,073,407	4,109,712	7,679,674	6,477,915
Total Net Position	\$ 10,083,573	\$ 9,569,040	\$ 19,938,711	\$ 18,867,529	\$ 30,022,284	\$ 28,436,569

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(UNAUDITED)**

Statement of Position (Continued)

By far, the largest portion of the City's net position (68%) reflects its investment in capital assets (e.g., land, building, infrastructure, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$1,973,448, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$7,679,674, 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 14).

Normal Impacts

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

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

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

Spending Borrowed Proceeds on New Capital – will reduce current assets and increase capital assets. An increase in capital assets and an increase in related net debt will not change the net investment in capital assets.

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

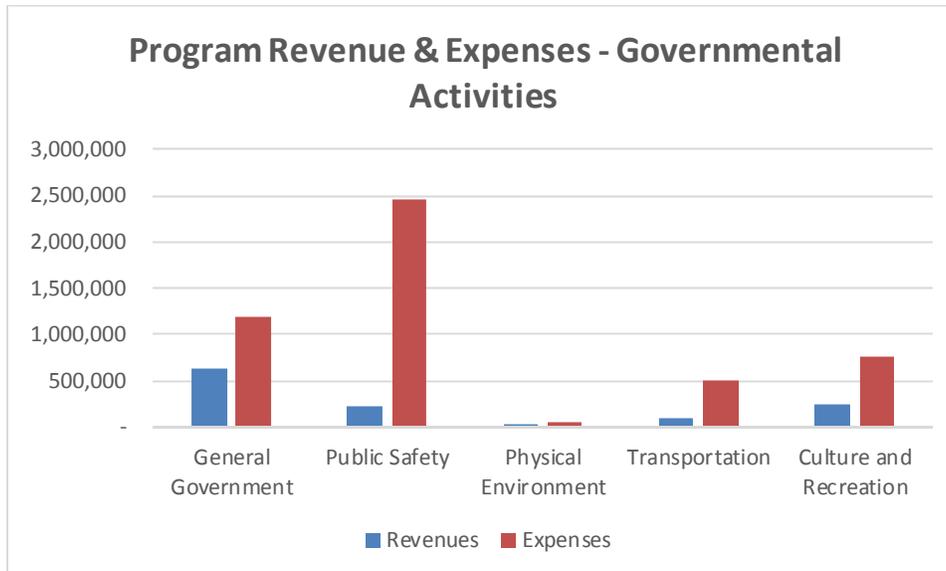
Principal Payment on Debt – will: (a) reduce current assets and reduce long-term debt, and (b) reduce unrestricted net position and increase the net investment in capital assets.

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

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(UNAUDITED)**

CITY OF ARCADIA'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for Services	\$ 1,030,129	\$ 986,543	\$ 5,375,136	\$ 5,075,962	\$ 6,405,265	\$ 6,062,505
Operating Grants and Contributions	124,806	-	550,069	-	674,875	-
Capital Grants and Contributions	48,617	685,898	-	698,091	48,617	1,383,989
General Revenues:						
Property Taxes	1,539,977	1,519,742	-	-	1,539,977	1,519,742
Other Taxes	1,585,989	1,547,837	-	-	1,585,989	1,547,837
Franchise Fees	437,918	457,200	-	-	437,918	457,200
Intergovernmental	580,894	544,887	-	-	580,894	544,887
Other	24,942	12,381	27,622	14,640	52,564	27,021
Total Revenues	\$ 5,373,272	\$ 5,754,488	\$ 5,952,827	\$ 5,788,693	\$ 11,326,099	\$ 11,543,181
Expenses:						
General Government	1,182,436	1,156,176	-	-	1,182,436	1,156,176
Public Safety	2,451,304	1,976,697	-	-	2,451,304	1,976,697
Physical Environment	48,792	103,361	-	-	48,792	103,361
Transportation	505,391	624,718	-	-	505,391	624,718
Culture and Recreation	756,359	931,241	-	-	756,359	931,241
Water and Sewer	-	-	3,869,345	3,384,138	3,869,345	3,384,138
Solid Waste	-	-	780,898	783,570	780,898	783,570
Airport	-	-	231,402	399,550	231,402	399,550
Total Expenses	4,944,282	4,792,193	4,881,645	4,567,258	9,825,927	9,359,451
Change in Net Position	428,990	962,295	1,071,182	1,221,435	1,500,172	2,183,730
Net Position - Beginning as Restated	9,654,583	8,606,745	18,867,529	17,646,094	28,522,112	26,252,839
Net Position - Ending	\$ 10,083,573	\$ 9,569,040	\$ 19,938,711	\$ 18,867,529	\$ 30,022,284	\$ 28,436,569



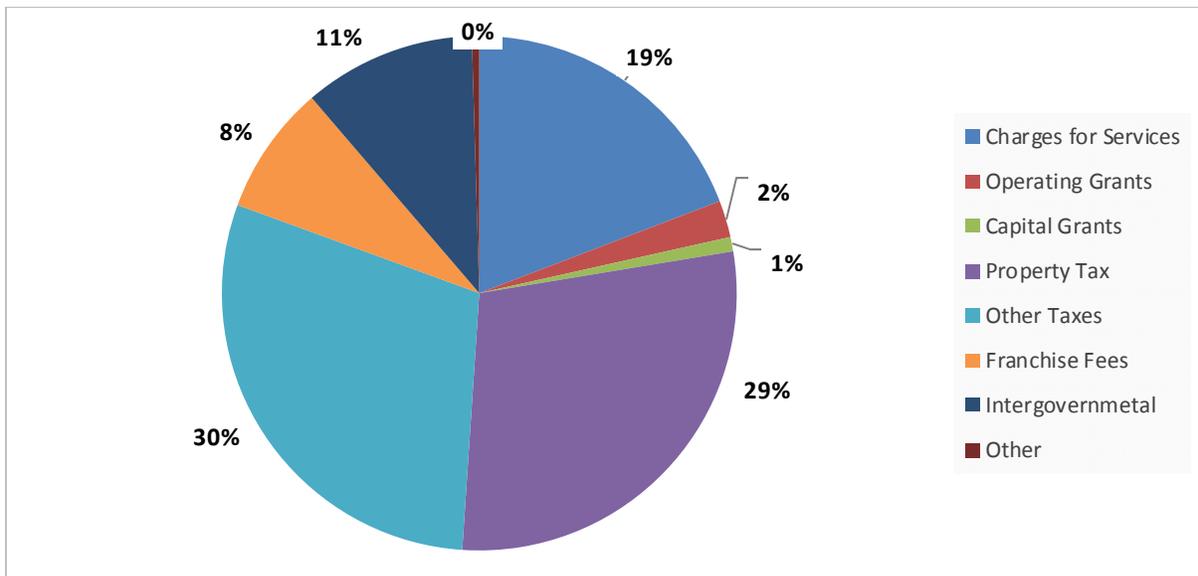
**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(UNAUDITED)**

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

Governmental Funds – The focus of the City's governmental funds, as noted, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,141,656, a decrease of \$539,633 in comparison with the prior year. Approximately 48% of this total amount, \$2,488,134, constitutes unassigned fund balance which is available for spending at the City's discretion. During the current fiscal year, the fund balance of the General Fund increased by \$822,650.

Nonmajor governmental funds consisting of special revenue funds and capital project funds have a combined fund balance of \$1,631,444 of which all of it is assigned.

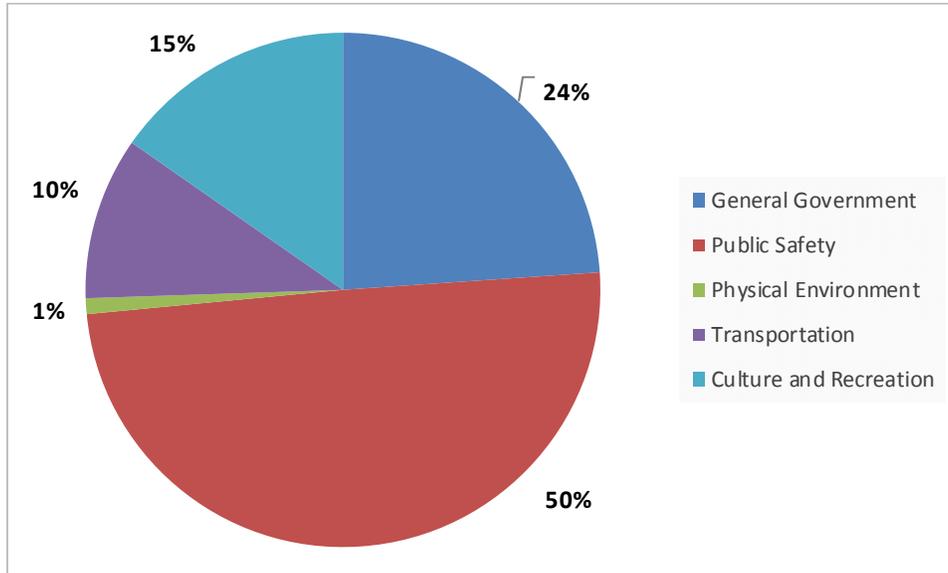
Revenues by Source – Governmental Funds



In total, governmental activities revenues decrease of \$381,216 is comprised of the following significant changes. Capital grants and contributions decreased \$637,281 as the Community Development Block Grant (CDBG) was completed in the prior year. Offsetting that decrease, operating grants and contributions increased \$124,806 related to accounting for the state contribution to the police and fire pension plan.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(UNAUDITED)**

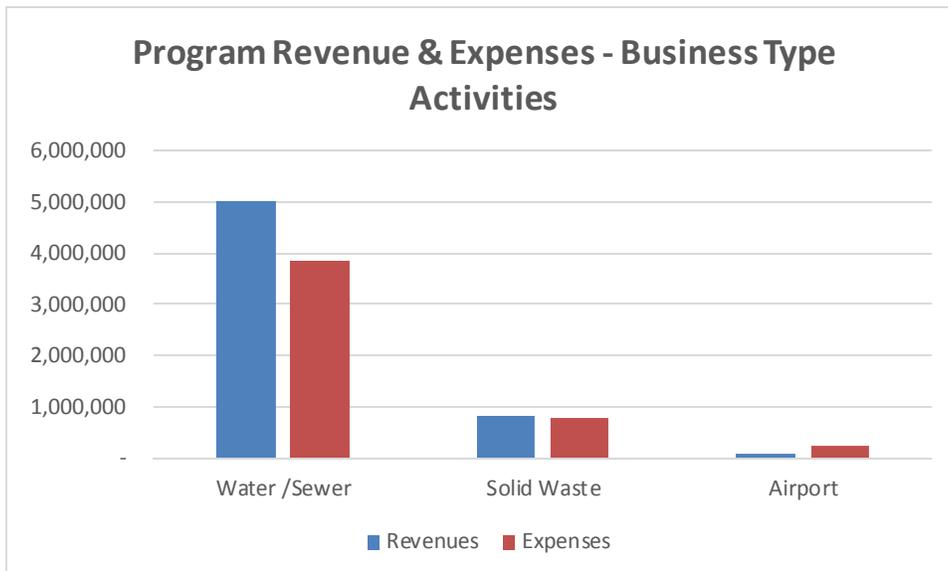
Expenses by Type - Governmental Activities



Total program expenses for governmental activities increased \$152,089 when compared to the prior year. A significant increase during the year was approximately \$95,000 related to the accounting for the state contribution to the police and fire pension plan noted above.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$4,732,163; and the increase in total net position was \$1,175,260. The City increased water utility rates and late fees in November 2012 through 2016, in an effort to rebuild net position in this fund.



**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(UNAUDITED)**

General Fund Budgetary Highlights – The City did amend the 2015-2016 budget during the year. Overall, General Fund expenditures were less than budgeted appropriations by \$423,932. More detailed information can be found in the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on page 62.

Capital Assets and Debt Administration

Capital Assets – The City's capital assets for its governmental and business-type activities as of September 30, 2016, amount to \$26,962,104 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than buildings, equipment, infrastructure, and construction in progress.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,334,812	\$ 1,334,812	\$ 380,778	\$ 380,778	\$ 1,715,590	\$ 1,715,590
Construction in Progress	-	108,770	-	9,498,844		
Buildings	1,811,273	1,811,273	18,988,169	9,489,325	20,799,442	11,300,598
Improvements other than Buildings	3,605,620	2,260,072	18,847,162	-	22,452,782	2,260,072
Infrastructure	3,930,738	3,930,738	-	18,796,756	3,930,738	22,727,494
Machinery and Equipment	1,998,346	1,971,980	4,712,264	4,709,197	6,710,610	6,681,177
Total Capital Assets	12,680,789	11,417,645	42,928,373	42,874,900	55,609,162	44,684,931
Less: Accumulated Depreciation	(6,225,561)	(5,912,321)	(22,421,497)	(21,353,305)	(28,647,058)	(27,265,626)
	6,455,228	5,505,324	20,506,876	21,521,595	26,962,104	27,026,919

Construction was completed on the water treatment plant improvements during the year and related construction in progress was transferred to buildings. Additional information on the City's capital assets can be found in Note 5 of the notes to the basic financial statements.

**CITY OF ARCADIA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(UNAUDITED)**

Long-term Debt – At the end of the 2016 fiscal year, the City had debt outstanding of \$6,882,825.

City of Arcadia's Outstanding Debt

	Business-Type Activities	
	2016	2015
Bonds Payable	\$ 1,925,679	\$ 2,268,502
State Revolving Fund Loans Payable	4,600,990	4,638,238
Capital Leases Payable	356,156	640,558
	\$ 6,882,825	\$ 7,547,298

Debt balances decreased for the existing State Revolving Fund (SRF) loan payable which is being used for construction of the new water treatment plant. A new SRF loan program began in the current year. Payments are not scheduled to begin until January 15, 2018 on the new SRF loan program. Bonds payable and capital leases payable decreased due to regularly scheduled amortization payments.

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

Economic Factors and Next Year's Budget

For fiscal year 2016, the City's property tax values increased slightly. The economic environment in the City of Arcadia is such that property values have remained generally stagnant, yet costs and the CPI have increased slightly. The City adopted a millage rate of 8.8195 which was the same millage rate adopted in fiscal years 2014 and 2015. The City is making efforts to increase fund balance in the General Fund; however, increases in pension contributions and other expenditures have had a significant impact on the City's ability to do so. To that end, there is some evidence that property values may again edge slightly upward in the near future.

Requests for Information

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

**CITY OF ARCADIA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,726,993	\$ 5,256,270	\$ 9,983,263
Accounts Receivable, Net of Allowances	287,625	564,129	851,754
Due from Other Governments	257,859	438,710	696,569
Internal Balances	181,145	(181,145)	-
Restricted Assets:			
Cash and Cash Equivalents	-	1,346,397	1,346,397
Capital Assets:			
Nondepreciable	1,334,812	380,778	1,715,590
Depreciable, Net	5,120,416	20,126,098	25,246,514
Total Assets	<u>11,908,850</u>	<u>27,931,237</u>	<u>39,840,087</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pensions	1,152,525	104,289	1,256,814
Deferred Charges on Refundings	-	252,238	252,238
Total Deferred Outflows of Resources	<u>1,152,525</u>	<u>356,527</u>	<u>1,509,052</u>
LIABILITIES			
Accounts Payable	78,794	215,837	294,631
Accrued Liabilities	88,172	47,408	135,580
Current Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	-	369,310	369,310
Unearned Revenue	-	1,201	1,201
Noncurrent Liabilities:			
Net Pension Liability	2,132,525	438,765	2,571,290
Due Within One Year	15,330	669,766	685,096
Due in More than One Year	655,413	6,599,940	7,255,353
Total Liabilities	<u>2,970,234</u>	<u>8,342,227</u>	<u>11,312,461</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pensions	7,568	6,826	14,394
NET POSITION			
Net Investment in Capital Assets	6,455,228	13,913,934	20,369,162
Restricted for Debt Service	-	951,370	951,370
Restricted for Capital Projects	1,022,078	-	1,022,078
Unrestricted	2,606,267	5,073,407	7,679,674
Total Net Position	<u>\$ 10,083,573</u>	<u>\$ 19,938,711</u>	<u>\$ 30,022,284</u>

See accompanying Notes to Financial Statements.

**CITY OF ARCADIA, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016**

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	\$ 1,182,436	\$ 634,900	\$ -	\$ -	\$ (547,536)	\$ -	\$ (547,536)
Public Safety	2,451,304	59,226	124,806	48,617	(2,218,655)	-	(2,218,655)
Physical Environment	48,792	794	-	-	(47,998)	-	(47,998)
Transportation	505,391	87,666	-	-	(417,725)	-	(417,725)
Culture and Recreation	756,359	247,543	-	-	(508,816)	-	(508,816)
Total Governmental Activities	<u>4,944,282</u>	<u>1,030,129</u>	<u>124,806</u>	<u>48,617</u>	<u>(3,740,730)</u>	<u>-</u>	<u>(3,740,730)</u>
BUSINESS-TYPE ACTIVITIES							
Water and Sewer	3,869,345	4,469,083	550,069	-	-	1,149,807	1,149,807
Solid Waste	780,898	817,055	-	-	-	36,157	36,157
Airport	231,402	88,998	-	-	-	(142,404)	(142,404)
Total Business-Type Activities	<u>4,881,645</u>	<u>5,375,136</u>	<u>550,069</u>	<u>-</u>	<u>-</u>	<u>1,043,560</u>	<u>1,043,560</u>
Total Primary Government	<u>\$ 9,825,927</u>	<u>\$ 6,405,265</u>	<u>\$ 674,875</u>	<u>\$ 48,617</u>	<u>(3,740,730)</u>	<u>1,043,560</u>	<u>(2,697,170)</u>
GENERAL REVENUES							
Property Taxes					1,539,977	-	1,539,977
Local Option Gas Tax					274,723	-	274,723
Infrastructure Tax					522,826	-	522,826
Public Service Taxes					545,163	-	545,163
Communications Services Taxes					194,227	-	194,227
Business License Taxes					49,050	-	49,050
Franchise Fees					437,918	-	437,918
Intergovernmental, Unrestricted					580,894	-	580,894
Unrestricted Investment Earnings					24,942	27,622	52,564
Total General Revenues					<u>4,169,720</u>	<u>27,622</u>	<u>4,197,342</u>
CHANGE IN NET POSITION							
Net Position - Beginning of Year, as Previously Stated					9,569,040	18,867,529	28,436,569
Prior Period Adjustment					85,543	-	85,543
Net Position - Beginning of Year, as Restated					<u>9,654,583</u>	<u>18,867,529</u>	<u>28,522,112</u>
NET POSITION - END OF YEAR					<u>\$ 10,083,573</u>	<u>\$ 19,938,711</u>	<u>\$ 30,022,284</u>

See accompanying Notes to Financial Statements.

**CITY OF ARCADIA, FLORIDA
BALANCE SHEET — GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	General	McSwain Park	Street Reserve	Infrastructure	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,657,055	\$ -	\$ 1,024,579	\$ 503,091	\$ 1,542,268	\$ 4,726,993
Accounts Receivable, Net	287,625	-	-	-	-	287,625
Due from Other Governments	166,883	-	-	-	90,976	257,859
Due from Other Funds	696,836	-	-	-	-	696,836
Total Assets	<u>\$ 2,808,399</u>	<u>\$ -</u>	<u>\$ 1,024,579</u>	<u>\$ 503,091</u>	<u>\$ 1,633,244</u>	<u>\$ 5,969,313</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Accounts Payable	\$ 76,294	\$ -	\$ 2,501	\$ -	\$ -	\$ 78,795
Accrued Liabilities	88,171	-	-	-	-	88,171
Due to Other Funds	7,929	2,871	-	503,091	1,800	515,691
Total Liabilities	<u>172,394</u>	<u>2,871</u>	<u>2,501</u>	<u>503,091</u>	<u>1,800</u>	<u>682,657</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Restitution	145,000	-	-	-	-	145,000
FUND BALANCES						
Restricted for:						
Transportation	-	-	1,022,078	-	-	1,022,078
Assigned for:						
Special Projects	-	-	-	-	-	-
Capital Projects	-	-	-	-	1,631,444	1,631,444
Unassigned	2,491,005	(2,871)	-	-	-	2,488,134
Total Fund Balances	<u>2,491,005</u>	<u>(2,871)</u>	<u>1,022,078</u>	<u>-</u>	<u>1,631,444</u>	<u>5,141,656</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,808,399</u>	<u>\$ -</u>	<u>\$ 1,024,579</u>	<u>\$ 503,091</u>	<u>\$ 1,633,244</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	12,680,789
Less: Accumulated Depreciation	(6,225,561)
Total	<u>6,455,228</u>

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

145,000

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

Deferred Outflows - Pensions	1,152,525
Deferred Inflows - Pensions	(7,568)
Net Pension Liability	(2,132,525)
Total	<u>(987,568)</u>

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

Compensated Absences	(153,301)
Other Postemployment Benefits	(517,442)
Total	<u>(670,743)</u>

Net Position of Governmental Activities \$ 10,083,573

See accompanying Notes to Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	General	McSwain Park	Street Reserve	Infrastructure	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 2,603,139	\$ -	\$ -	\$ -	\$ 522,826	\$ 3,125,965
Charges for Services	351,163	-	-	-	-	351,163
Permits, Fees and Assessments	692,458	-	-	-	-	692,458
Intergovernmental	658,715	-	-	-	-	658,715
Fines and Forfeitures	62,804	-	-	-	-	62,804
Interest Revenue	7,440	-	7,486	2,819	7,197	24,942
Other Revenues	457,216	-	-	8	-	457,224
Total Revenues	<u>4,832,935</u>	<u>-</u>	<u>7,486</u>	<u>2,827</u>	<u>530,023</u>	<u>5,373,271</u>
EXPENDITURES						
Current:						
General Government	1,065,477	-	-	-	-	1,065,477
Public Safety	2,225,966	-	-	-	-	2,225,966
Physical Environment	49,094	-	-	-	-	49,094
Transportation	403,534	-	-	-	-	403,534
Culture and Recreation	753,021	-	-	-	-	753,021
Capital Outlay	119,791	464,235	780,575	-	51,211	1,415,812
Total Expenditures	<u>4,616,883</u>	<u>464,235</u>	<u>780,575</u>	<u>-</u>	<u>51,211</u>	<u>5,912,904</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>216,052</u>	<u>(464,235)</u>	<u>(773,089)</u>	<u>2,827</u>	<u>478,812</u>	<u>(539,633)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	666,598	-	661,018	-	-	1,327,616
Transfers Out	-	-	(100,000)	(1,164,109)	(63,507)	(1,327,616)
Total Other Financing Sources (Uses)	<u>666,598</u>	<u>-</u>	<u>561,018</u>	<u>(1,164,109)</u>	<u>(63,507)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	882,650	(464,235)	(212,071)	(1,161,282)	415,305	(539,633)
Fund Balances - Beginning of Year, as Previously Stated	1,551,246	461,364	1,234,149	1,161,282	1,187,705	5,595,746
Prior Period Adjustment	57,109	-	-	-	28,434	85,543
Fund Balances - Beginning of Year, as Restated	<u>1,608,355</u>	<u>461,364</u>	<u>1,234,149</u>	<u>1,161,282</u>	<u>1,216,139</u>	<u>5,681,289</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,491,005</u>	<u>\$ (2,871)</u>	<u>\$ 1,022,078</u>	<u>\$ -</u>	<u>\$ 1,631,444</u>	<u>\$ 5,141,656</u>

See accompanying Notes to 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, 2016**

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

Net Change in Fund Balances - Total Governmental Funds	\$	(539,633)
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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 Expenditures		1,406,139
Less: Current Year Depreciation Expense		(456,234)
Total		949,905

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension Expense		(55,977)
Change in OPEB Liability		(4,149)
Change in Compensated Absences		78,844
Total		18,718

Change in Net Position of Governmental Activities	\$	428,990
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CITY OF ARCADIA, FLORIDA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Water and Sewer Fund	Solid Waste Fund	Airport Fund (Nonmajor)	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,843,277	\$ 412,993	\$ -	\$ 5,256,270
Restricted Cash and Cash Equivalents:				
2003 Refunding Bonds, Sinking Fund	381,717	-	-	381,717
Customer Deposits	368,310	-	-	368,310
Accounts Receivable, Net of Allowances	455,694	107,234	1,201	564,129
Due from Other Governments	343,858	-	94,852	438,710
Due from Other Funds	1,593	-	7,929	9,522
Total Current Assets	<u>6,394,449</u>	<u>520,227</u>	<u>103,982</u>	<u>7,018,658</u>
NONCURRENT ASSETS				
Restricted Assets, Cash - 2003 Refunding				
Bonds, Reserve Funds	596,370	-	-	596,370
Capital Assets:				
Nondepreciable	147,123	-	233,655	380,778
Depreciable, Net of Accumulated Depreciation	18,424,385	222,680	1,479,033	20,126,098
Total Noncurrent Assets	<u>19,167,878</u>	<u>222,680</u>	<u>1,712,688</u>	<u>21,103,246</u>
Total Assets	<u>25,562,327</u>	<u>742,907</u>	<u>1,816,670</u>	<u>28,121,904</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pensions	89,224	15,065	-	104,289
Deferred Charges on Refundings	252,238	-	-	252,238
Total Deferred Outflows of Resources	<u>341,462</u>	<u>15,065</u>	<u>-</u>	<u>356,527</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	180,611	28,329	3,978	212,918
Accrued Liabilities	12,700	4,597	-	17,297
Accrued Interest	-	3,394	-	3,394
Retainage Payable	2,919	-	-	2,919
Unearned Revenue	-	-	1,201	1,201
Current Portion - Compensated Absences	7,685	2,311	-	9,996
Current Portion - Capital Leases Payable	52,106	69,605	-	121,711
Current Portion - Notes Payable	183,059	-	-	183,059
Due to Other Funds	100,946	88,128	1,593	190,667
Payable from Restricted Assets:				
Customer Deposits	368,310	-	1,000	369,310
Accrued Interest	26,717	-	-	26,717
Bonds Payable, Current Portion	355,000	-	-	355,000
Total Current Liabilities	<u>1,290,053</u>	<u>196,364</u>	<u>7,772</u>	<u>1,494,189</u>
NONCURRENT LIABILITIES				
Compensated Absences, Net of Current Portion	69,167	20,800	-	89,967
Revenue Bonds Payable, Net of Current Portion	1,570,679	-	-	1,570,679
Capital Leases Payable, Net of Current Portion	88,587	145,858	-	234,445
Notes Payable, Net of Current Portion	4,417,931	-	-	4,417,931
Net Pension Liability	375,384	63,381	-	438,765
Net OPEB Liability	208,586	78,332	-	286,918
Total Noncurrent Liabilities	<u>6,730,334</u>	<u>308,371</u>	<u>-</u>	<u>7,038,705</u>
Total Liabilities	<u>8,020,387</u>	<u>504,735</u>	<u>7,772</u>	<u>8,532,894</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pensions	5,840	986	-	6,826
NET POSITION				
Net Investment in Capital Assets	12,194,029	7,217	1,712,688	13,913,934
Restricted for Debt Service	951,370	-	-	951,370
Unrestricted	4,732,163	245,034	96,210	5,073,407
Total Net Position	<u>\$ 17,877,562</u>	<u>\$ 252,251</u>	<u>\$ 1,808,898</u>	<u>\$ 19,938,711</u>

See accompanying Notes to Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION —
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Water and Sewer Fund	Solid Waste Fund	Airport Fund (Nonmajor)	Totals
OPERATING REVENUES				
Charges for Services	\$ 4,290,697	\$ 817,055	\$ 88,832	\$ 5,196,584
Other Revenues	178,386	-	166	178,552
Total Operating Revenues	<u>4,469,083</u>	<u>817,055</u>	<u>88,998</u>	<u>5,375,136</u>
OPERATING EXPENSES				
Personal Services	941,414	327,334	14,890	1,283,638
Operating Expenses	1,645,203	341,399	123,313	2,109,915
Depreciation	884,395	104,315	93,199	1,081,909
Total Operating Expenses	<u>3,471,012</u>	<u>773,048</u>	<u>231,402</u>	<u>4,475,462</u>
Operating Income (Loss)	998,071	44,007	(142,404)	899,674
NONOPERATING INCOME (EXPENSES)				
Intergovernmental	550,069	-	-	550,069
Interest Income	25,453	2,169	-	27,622
Interest Expense	(398,333)	(7,850)	-	(406,183)
Total Nonoperating Income (Expenses)	<u>177,189</u>	<u>(5,681)</u>	<u>-</u>	<u>171,508</u>
CHANGE IN NET POSITION	1,175,260	38,326	(142,404)	1,071,182
Net Position - Beginning of Year	<u>16,702,302</u>	<u>213,925</u>	<u>1,951,302</u>	<u>18,867,529</u>
NET POSITION - END OF YEAR	<u>\$ 17,877,562</u>	<u>\$ 252,251</u>	<u>\$ 1,808,898</u>	<u>\$ 19,938,711</u>

See accompanying Notes to Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Water and Sewer Fund	Solid Waste Fund	Airport Fund (Nonmajor)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 4,455,480	\$ 776,863	\$ 88,998	\$ 5,321,341
Payments to Suppliers	(1,535,436)	(339,372)	(123,197)	(1,998,005)
Payments to Employees	(1,008,343)	(294,932)	(14,890)	(1,318,165)
Net Cash Provided (Used) by Operating Activities	<u>1,911,701</u>	<u>142,559</u>	<u>(49,089)</u>	<u>2,005,171</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Grant	206,211	-	161,348	367,559
Transfer to Other Fund	-	-	(125,318)	(125,318)
Net Cash Provided by Noncapital Financing Activities	<u>206,211</u>	<u>-</u>	<u>36,030</u>	<u>242,241</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(65,013)	-	-	(65,013)
Proceeds from Capital Grant	40,564	-	-	40,564
Principal Paid on Bonds	(345,000)	-	-	(345,000)
Principal Paid on Notes Payable and Capital Leases	(294,734)	(67,480)	-	(362,214)
Interest Paid	(402,789)	(8,913)	-	(411,702)
Net Cash Used by Capital and Related Financing Activities	<u>(1,066,972)</u>	<u>(76,393)</u>	<u>-</u>	<u>(1,143,365)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	25,453	2,169	-	27,622
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	1,076,393	68,335	(13,059)	1,131,669
Cash and Cash Equivalents - Beginning of Year	<u>5,113,281</u>	<u>344,658</u>	<u>13,059</u>	<u>5,470,998</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 6,189,674</u></u>	<u><u>\$ 412,993</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,602,667</u></u>
CLASSIFIED AS:				
Cash and Cash Equivalents	\$ 4,843,277	\$ 412,993	\$ -	\$ 5,256,270
Restricted Cash and Cash Equivalents, Sinking Fund	381,717	-	-	381,717
Restricted Cash and Cash Equivalents, Customer Deposits	368,310	-	-	368,310
Restricted Cash, Reserve Funds	596,370	-	-	596,370
Total	<u><u>\$ 6,189,674</u></u>	<u><u>\$ 412,993</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,602,667</u></u>

See accompanying Notes to Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016

	Water and Sewer Fund	Solid Waste Fund	Airport Fund (Nonmajor)	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 998,071	\$ 44,007	\$ (142,404)	\$ 899,674
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	947,454	104,315	93,199	1,144,968
Changes in Assets and Liabilities:				
(Increase) in Accounts Receivable	(21,416)	(40,192)	(1,201)	(62,809)
(Increase) In Deferred Outflows - Pensions	(13,812)	(7,204)	-	(21,016)
Increase in Accounts Payable	46,708	2,027	116	48,851
(Decrease) in Accrued Liabilities	(20,745)	(4,739)	-	(25,484)
Increase in Unearned Revenue	-	-	1,201	1,201
Increase (Decrease) in Compensated Absences	(65,148)	6,789	-	(58,359)
Increase in Customer Deposits	7,813	-	-	7,813
Increase (Decrease) in Net Pension Liability	(28,562)	21,276	-	(7,286)
Increase in OPEB	55,498	15,294	-	70,792
Increase In Deferred Inflows - Pensions	5,840	986	-	6,826
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,911,701</u>	<u>\$ 142,559</u>	<u>\$ (49,089)</u>	<u>\$ 2,005,171</u>

See accompanying Notes to Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION — FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	Pension Trust Funds
ASSETS	
Contributions Receivable	\$ 18,392
Interest and Dividends Receivable	19,007
Investments:	
Short-Term Investments	287,361
Common Stock	2,347,015
Foreign Stock	91,124
Unit Investment Trusts	81,827
U.S. Government Obligations	1,067,049
Mortgage/Asset-Backed Securities	1,048,620
Corporate Bonds	1,432,261
Mutual Funds - Equity	3,364,917
Mutual Funds - Fixed Income	827,418
Nonparticipating Interest-Earning Contract	989,450
Total Investments	11,537,042
Total Assets	11,574,441
LIABILITIES	
Accounts Payable	10,673
NET POSITION	
Net Position Restricted for:	
Pension Benefits	\$ 11,563,768

See accompanying Notes to Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 536,160
State of Florida	95,602
Plan Members	<u>105,564</u>
Total Contributions	<u>737,326</u>
Investment Income:	
Net Increase in Fair Value of Investments	493,944
Realized Gain on Sale of Investments	901
Interest and Dividends	<u>287,422</u>
Total Investment Income	782,267
Less: Investment Expenses	<u>(75,796)</u>
Net Investment Income	<u>706,471</u>
Total Additions	<u>1,443,797</u>
DEDUCTIONS	
Benefits	730,599
Administrative Expenses	<u>91,126</u>
Total Deductions	<u>821,725</u>
CHANGE IN NET POSITION	622,072
Net Position - Beginning of Year	<u>10,941,696</u>
NET POSITION - END OF YEAR	<u><u>\$ 11,563,768</u></u>

See accompanying Notes to Financial Statements.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 and fire protection, emergency medical services, waste collection, parks and recreation, certain social services, and general administration. In addition, the City owns and operates a water system and sewer system. Fire services are contracted with DeSoto County.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the accompanying financial statements include all funds for which the City is financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. A primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government and a financial benefit or burden relationship exists, regardless of the authority of the organization's governing board. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

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

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of grant revenues, which are considered available when eligible expenditures have been incurred even though they may be collected beyond 60 days. Property taxes, gas taxes, utility taxes, franchise fees, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Permits and assessments, fines and forfeitures, charges for services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received.

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

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

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

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

The *Infrastructure Fund* is used to account for the receipt, custody, and expenditure of infrastructure tax revenues.

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fiduciary fund type:

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Assets, Liabilities, and Net Position or Fund Balance

Deposits and Investments

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

In addition, non-pooled cash and cash equivalents are separately held by several of the City's funds. The government's non-pooled cash and cash equivalents are considered to be cash on hand, demand deposits, interest-bearing time deposits, and deposits in the Local Government Surplus Trust Fund Investment Pool administered by the Florida State Board of Administration. Investments are held only in the pension trust funds and consist of short-term investments and marketable securities reported at fair value based on quoted market prices, except for immediate participation guarantee contracts (IPG). Securities traded on a national or international exchange are valued at the last reported sales quote at current exchange rates. Investments that do not have an established market are reported at estimated fair value based on market indicators regarded as measures of equity or fixed income performance results. The estimated fair value of IPG investments are based on valuations provided by external investment managers. Management believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because the IPG investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as “Qualified Public Depositories,” a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral for their deposits of public funds.

This pool is provided as additional insurance to the Federal depository insurance and allows for additional assessments against the member institutions providing full insurance for public deposits. The City had deposits only with qualifying institutions as of September 30, 2016.

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, 2016 was \$864,039 in the Water and Sewer Fund and \$108,951 in the Solid Waste Fund.

Restricted Assets

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Deferred Outflows/Inflows of Resources

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

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

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

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

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."

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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, McSwain Park Fund, Infrastructure Fund, Street Reserve Fund, Capital Improvement Fund, Water and Sewer Fund, Solid Waste Fund, and Airport Fund. The enterprise fund budget is prepared on a basis similar to the budgets for governmental type funds. All budgets presented are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that capital outlays, rather than depreciation expense, is treated as an expense in the year budgeted for the enterprise funds.

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

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

For the year ended September 30, 2016, the following departments reported expenditures in excess of budget appropriations in the General Fund:

Legislative	\$ 13,911
Law Enforcement	\$ 31,395
Capital Outlay	\$ 4,825

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

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

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2016, the carrying amount of the City's deposits was \$10,197,889 and the bank balance was \$10,355,215. The difference between these two balances is created by timing differences due to the float on disbursements which have not cleared the bank.

Investments

As of September 30, 2016, the City's investments were \$12,667,176. The following is a reconciliation of deposits and investments to amounts shown on the statement of net position and statement of fiduciary net position:

Deposits	\$ 10,396,065
Cash on Hand	1,634
Investments	12,469,003
Total	\$ 22,866,702
Statement of Net Position	
Equity in Pooled Cash and Cash Equivalents	\$ 9,983,263
Restricted Cash and Cash Equivalents	1,346,397
Statement of Fiduciary Net Position	
Investments	11,537,042
Total	\$ 22,866,702

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets. The City had the following fair value measurements as of September 30, 2016:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by Fair Value Level:				
Short-Term Investments	\$ 287,361	\$ 287,361	\$ -	\$ -
Common Stock	2,347,015	2,347,015	-	-
Foreign Stock	91,124	91,124	-	-
Unit Investment Trusts	81,827	81,827	-	-
U.S. Government Obligations	1,067,049	1,067,049	-	-
Mortgage/Asset-Backed Securities	1,048,620	-	1,048,620	-
Corporate Bonds	1,432,261	-	1,432,261	-
Mutual Funds - Equity	3,364,917	3,364,917	-	-
Mutual Funds - Fixed Income	827,418	827,418	-	-
Total Investments Measured at Fair Value	<u>\$ 10,547,592</u>	<u>\$ 8,066,711</u>	<u>\$ 2,480,881</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
Florida PRIME	\$ 430,936			
Florida SAFE	501,025			
Nonparticipating Interest-Earning Contract	989,450			
Total Investments Measured at Amortized Cost	<u>1,921,411</u>			
Total Investments	<u>\$ 12,469,003</u>			

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016, the City had the following investments in debt securities and related maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				
		No Fixed Maturity	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Governmental and Business Type Activities:						
SBA Florida PRIME	\$ 430,936	\$ -	\$ 430,936	\$ -	\$ -	\$ -
PMA Florida SAFE	501,025	-	501,025	-	-	-
Fiduciary:						
Short-Term Investments	287,361	287,361	-	-	-	-
Common Stock	2,347,015	2,347,015	-	-	-	-
Foreign Stock	91,124	91,124	-	-	-	-
Unit Investment Trusts	81,827	81,827	-	-	-	-
U.S. Government Obligations	1,067,049	-	-	220,154	846,895	-
Mortgage/Asset-Backed Securities	1,048,620	-	-	-	-	1,048,620
Corporate Bonds	1,432,261	-	120,159	1,016,978	295,124	-
Mutual Funds - Equity	3,364,917	3,364,917	-	-	-	-
Mutual Funds - Fixed Income	827,418	827,418	-	-	-	-
Nonparticipating Interest-Earning Contract	989,450	989,450	-	-	-	-
Total	<u>\$ 12,469,003</u>	<u>\$ 7,989,112</u>	<u>\$ 1,052,120</u>	<u>\$ 1,237,132</u>	<u>\$ 1,142,019</u>	<u>\$ 1,048,620</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, 2016 for each type of investment in debt securities.

Investment Type	S&P Rating	Fair Value
Governmental and Business Type Activities:		
SBA Florida PRIME	AAAm	\$ 430,936
PMA Florida SAFE	AAAm	501,025
Short-Term Investments	NR	287,361
Common Stock	NR	2,347,015
Foreign Stock	NR	91,124
Unit Investment Trusts	NR	81,827
U.S. Government Obligations	Aaa	1,067,049
Mortgage/Asset-Backed Securities	NR	1,048,620
Corporate Bonds	Aaa-Baa3	1,432,261
Mutual Funds - Equity	NR	3,364,917
Mutual Funds - Fixed Income	BBB	827,418
Nonparticipating Interest-Earning Contract	NR	989,450
Total		<u>\$ 12,469,003</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

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

Custodial Credit Risk

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

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

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

The City invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2016, 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 27.6% of the Florida PRIME's portfolio at September 30, 2016.

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2016 was 50 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, 2016 was 70 days. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's. On September 30, 2016, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

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

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

As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

As of September 30, 2016, FL SAFE investment pool weighted average maturity in days was 41 days. Florida SAFE meets all of the necessary criteria to elect to measure all of the investments in Florida SAFE at amortized cost, as a cash equivalent.

Concentration of Credit Risk

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

Foreign Currency Risk

The City is not exposed to any foreign currency risk.

NOTE 4 RECEIVABLES

Receivables as of September 30, 2016, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental	Business-Type Activities			Total
	Activities	Water and Sewer	Solid Waste	Airport	
	General				
Utility and Franchise Taxes	\$ 123,729	\$ -	\$ -	\$ -	\$ 123,729
Restitution	145,000	-	-	-	145,000
Customer Charges	-	1,319,488	188,677	1,201	1,509,366
Miscellaneous	18,896	245	27,508	-	46,649
Gross Receivables	287,625	1,319,733	216,185	1,201	1,824,744
Allowance for Doubtful Accounts	-	(864,039)	(108,951)	-	(972,990)
Total	\$ 287,625	\$ 455,694	\$ 107,234	\$ 1,201	\$ 851,754

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the governmental activities for the year ended September 30, 2016:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,334,812	\$ -	\$ -	\$ -	\$ 1,334,812
Construction In Progress	108,770	1,236,778		(1,345,548)	-
Total Capital Assets, Not Being Depreciated	<u>1,443,582</u>	<u>1,236,778</u>	<u>-</u>	<u>(1,345,548)</u>	<u>1,334,812</u>
Capital Assets, Being Depreciated:					
Buildings	1,811,273	-	-	-	1,811,273
Improvements Other Than Buildings	2,260,072	-	-	1,345,548	3,605,620
Infrastructure	3,930,738	-	-	-	3,930,738
Furniture, Fixtures and Equipment	1,971,980	169,360	(142,994)	-	1,998,346
Total Capital Assets, Being Depreciated	<u>9,974,063</u>	<u>169,360</u>	<u>(142,994)</u>	<u>1,345,548</u>	<u>11,345,977</u>
Less: Accumulated Depreciation for:					
Buildings	(909,732)	(45,330)	-	-	(955,062)
Improvements Other Than Buildings	(1,180,086)	(256,162)	-	-	(1,436,248)
Infrastructure	(1,996,685)	(97,099)	-	-	(2,093,784)
Furniture, Fixtures and Equipment	(1,825,818)	(57,643)	142,994	-	(1,740,467)
Total Accumulated Depreciation	<u>(5,912,321)</u>	<u>(456,234)</u>	<u>142,994</u>	<u>-</u>	<u>(6,225,561)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,061,742</u>	<u>(286,874)</u>	<u>-</u>	<u>1,345,548</u>	<u>5,120,416</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,505,324</u>	<u>\$ 949,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,455,228</u>

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

Governmental Activities:	
General Government	\$ 148,003
Public Safety	170,821
Physical Environment	1,412
Transportation	109,290
Parks and Recreation	26,708
Total Depreciation Expense - Governmental Activities	<u>\$ 456,234</u>

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets for the business-type activities for the year ended September 30, 2016:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 380,778	\$ -	\$ -	\$ -	\$ 380,778
Construction In Progress	9,498,844	42,301	-	(9,541,145)	-
Total Capital Assets, Not Being Depreciated	<u>9,879,622</u>	<u>42,301</u>	<u>-</u>	<u>(9,541,145)</u>	<u>380,778</u>
Capital Assets, Being Depreciated:					
Buildings	9,489,325	-	-	9,498,844	18,988,169
Infrastructure and Improvements Other Than Buildings	18,796,756	8,105	-	42,301	18,847,162
Furniture, Fixtures and Equipment	4,709,197	16,784	(13,717)	-	4,712,264
Total Capital Assets, Being Depreciated	<u>32,995,278</u>	<u>24,889</u>	<u>(13,717)</u>	<u>9,541,145</u>	<u>42,547,595</u>
Less: Accumulated Depreciation for:					
Buildings	(7,606,797)	(395,806)	-	-	(8,002,603)
Infrastructure and Improvements Other Than Buildings	(9,804,135)	(471,038)	-	-	(10,275,173)
Furniture, Fixtures and Equipment	(3,942,373)	(215,065)	13,717	-	(4,143,721)
Total Accumulated Depreciation	<u>(21,353,305)</u>	<u>(1,081,909)</u>	<u>13,717</u>	<u>-</u>	<u>(22,421,497)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,641,973</u>	<u>(1,057,020)</u>	<u>-</u>	<u>9,541,145</u>	<u>20,126,098</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,521,595</u>	<u>\$ (1,014,719)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,506,876</u>

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

Business-Type Activities:	
Water and Sewer	\$ 884,395
Solid Waste	104,315
Airport	93,199
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,081,909</u>

NOTE 6 LONG-TERM LIABILITIES

Long-term liability activity for the governmental activities for the year ended September 30, 2016 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 232,146	\$ 76,498	\$ (155,343)	\$ 153,301	\$ 15,330
Other Postemployment Benefits	513,293	4,149	-	517,442	-
Net Pension Liability	1,466,664	665,861	-	2,132,525	-
Governmental Activities Long-Term Liabilities	<u>\$ 2,212,103</u>	<u>\$ 746,508</u>	<u>\$ (155,343)</u>	<u>\$ 2,803,268</u>	<u>\$ 15,330</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

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

Long-term liability activity for the business-type activities for the year ended September 30, 2016 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
2003 Refunding Bonds	\$ 2,275,000	\$ -	\$ (345,000)	\$ 1,930,000	\$ 355,000
Less: Bond Discount	(6,498)	-	2,177	(4,321)	-
Total Bonds Payable	<u>2,268,502</u>	<u>-</u>	<u>(342,823)</u>	<u>1,925,679</u>	<u>355,000</u>
State Revolving Fund Loan					
DW140110	4,638,238	-	(77,812)	4,560,426	183,059
WW140110	-	40,564	-	40,564	-
Capital Lease Payable	640,558	-	(284,402)	356,156	121,711
Compensated Absences	158,322	33,690	(92,049)	99,963	9,996
Other Postemployment Benefits	216,122	70,796	-	286,918	-
Net Pension Liability	<u>446,051</u>	<u>-</u>	<u>(7,286)</u>	<u>438,765</u>	<u>-</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 8,367,793</u>	<u>\$ 145,050</u>	<u>\$ (804,372)</u>	<u>\$ 7,708,471</u>	<u>\$ 669,766</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

The City's long-term liabilities for business-type activities at September 30, 2016 consisted of the following:

Description	Amount
The City issued the Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003 to finance the cost of refunding the City's 1993A Pooled Governmental Unit Note outstanding in the amount of \$5,040,000, fund the required reserve account, finance the cost of expanding an existing refuse facility, and to pay a portion of the costs of issuance. Interest is payable semiannually on June 1 and December 1, at interest rates ranging from 2.75% to 4.35%. The bonds are secured by the net revenues of the City's water and sewer system.	\$ 1,925,679
State Revolving Fund (SRF) loan issued in the amount of \$4,638,238. Principal and interest is payable semiannually on June 1 and December 1 in the amount of \$156,910 until all amounts due have been fully paid. Interest rates range from 2.5% to 3.06%. The principal and interest is secured by net revenues of the water and sewer system.	4,560,426
State Revolving Fund (SRF) loan issued in the amount of \$1,000,000, of which \$40,564 has been drawn down as of September 30, 2016. The estimated amount of principal forgiveness is \$835,800. Principal and interest will be payable in equal semi-annual installments of \$4,884 until all amounts due have been fully paid with a proposed date of first repayment starting January 15, 2018, and an interest rate of 0.57%. The principal and interest is secured by net revenues of the water and sewer system.	40,564
Capital leases payable for water meters, two garbage trucks, and a vacuum truck. Principal and interest is payable monthly in installments of \$11,773 including interest at 4.3% through October 2016 for the water meter lease. Principal and interest is payable in annual installments of \$76,393 beginning in April 2015 at 3.15% through April 2019 for the garbage 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.	356,156
Total	<u>\$ 6,882,825</u>

Annual debt service requirements for the business-type activities (excluding capital leases) as of September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 538,059	\$ 203,812	\$ 741,871
2018	558,387	183,484	741,871
2019	578,873	163,168	742,041
2020	599,519	141,071	740,590
2021	625,330	117,625	742,955
Thereafter	3,590,258	803,228	4,393,486
Total	<u>\$ 6,490,426</u>	<u>\$ 1,612,388</u>	<u>\$ 8,102,814</u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

The estimated principal amount of the WW140110 SRF loan and payment terms have not been finalized, and thus have not been included in the above schedule. Currently, semi-annual loan payments (principal and interest) are estimated to be in the amount of \$4,884 starting on January 15, 2018, and semiannually thereafter.

Capital Leases

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

Asset	Water and Sewer Fund	Solid Waste Fund
Improvements Other Than Buildings	\$ 1,196,296	\$ -
Equipment	250,000	348,362
Less: Accumulated Depreciation	(388,284)	(174,181)
Total	<u>\$ 1,058,012</u>	<u>\$ 174,181</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 were as follows:

<u>Year Ending September 30,</u>	Water and Sewer Fund	Solid Waste Fund
2017	\$ 57,528	\$ 76,392
2018	45,756	76,392
2019	45,756	76,392
2020	7,425	-
Total Minimum Lease Payments	156,465	229,176
Less: Amount Representing Interest	(13,770)	(15,715)
Present Value of Minimum Lease Payments	<u>\$ 142,695</u>	<u>\$ 213,461</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, 2016, the City was in compliance with the debt covenant.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7 INSURANCE COVERAGE

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

The City provides workers' compensation insurance on its employees through Preferred Government Claims Solutions. Workers' compensation premiums are subject to change when audited by Preferred Government Claims Solutions.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2016 is as follows:

Receivable Funds	Payable Funds							Total
	General	McSwain	Infrastructure	CDBG	Water and Sewer	Solid Waste	Airport	
General Fund	\$ -	\$ 2,871	\$ 503,091	\$ 1,800	\$ 100,946	\$ 88,128	\$ -	\$ 696,836
Water and Sewer	-	-	-	-	-	-	1,593	1,593
Airport Fund	7,929	-	-	-	-	-	-	7,929
Total	<u>\$ 7,929</u>	<u>\$ 2,871</u>	<u>\$ 503,091</u>	<u>\$ 1,800</u>	<u>\$ 100,946</u>	<u>\$ 88,128</u>	<u>\$ 1,593</u>	<u>\$ 706,358</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.

Transfers for the year ended September 30, 2016 consisted of the following:

Transfer In from Funds	Transfer Out from Funds			Total
	Street Reserve	Infrastructure Fund	Capital Improvements	
General Fund	\$ 100,000	\$ 503,091	\$ 63,507	\$ 666,598
Street Reserve	-	661,018	-	661,018
Total	<u>\$ 100,000</u>	<u>\$ 1,164,109</u>	<u>\$ 63,507</u>	<u>\$ 1,327,616</u>

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 COMMITMENTS AND CONTINGENCIES

Grants

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

Lawsuits

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

Commitment

At September 30, 2016, the City had the following commitment:

	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance</u>
Hazen & Sawyer, P.C.			
Clean Water State Revolving Fund	\$ 1,000,000	\$ 658,134	\$ 341,866
AJAX Paving			
Roadway Paving and Repairs	603,558	420,588	182,970
Parkson Corp			
WWTP Sand Filter	205,000	-	205,000
Total	<u>\$ 1,808,558</u>	<u>\$ 1,078,722</u>	<u>\$ 729,836</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, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

	Police Officers' and Firefighters' Retirement System	Employees' Retirement System	Total
ASSETS			
Contributions Receivable	\$ 18,392	\$ -	\$ 18,392
Interest and Dividends Receivable	19,007	-	19,007
Investments	<u>9,094,862</u>	<u>2,442,180</u>	<u>11,537,042</u>
Total Assets	9,132,261	2,442,180	11,574,441
LIABILITIES			
Accounts Payable	<u>10,673</u>	<u>-</u>	<u>10,673</u>
NET POSITION			
Net Position Restricted for Pension Benefits	<u>\$ 9,121,588</u>	<u>\$ 2,442,180</u>	<u>\$ 11,563,768</u>
	Police Officers' and Firefighters' Retirement System	Employees' Retirement System	Total
ADDITIONS			
Contributions:			
Employer	\$ 309,290	\$ 226,870	\$ 536,160
Plan Member	55,177	50,387	105,564
State of Florida	95,602	-	95,602
Total Contributions	<u>460,069</u>	<u>277,257</u>	<u>737,326</u>
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	401,042	92,902	493,944
Realized Gain on Sale of Investments	901	-	901
Interest and Dividends	203,514	83,908	287,422
Total Investment Income	<u>605,457</u>	<u>176,810</u>	<u>782,267</u>
Less: Investment Expenses	<u>(53,425)</u>	<u>(22,371)</u>	<u>(75,796)</u>
Net Investment Income	<u>552,032</u>	<u>154,439</u>	<u>706,471</u>
Total Additions	<u>1,012,101</u>	<u>431,696</u>	<u>1,443,797</u>
DEDUCTIONS			
Benefits	552,372	178,227	730,599
Administrative Expenses	<u>35,465</u>	<u>55,661</u>	<u>91,126</u>
Total Deductions	<u>587,837</u>	<u>233,888</u>	<u>821,725</u>
CHANGE IN NET POSITION	424,264	197,808	622,072
NET POSITION RESTRICTED FOR PENSION BENEFITS			
Net Position - Beginning of Year	<u>8,697,324</u>	<u>2,244,372</u>	<u>10,941,696</u>
NET POSITION - END OF YEAR	<u>\$ 9,121,588</u>	<u>\$ 2,442,180</u>	<u>\$ 11,563,768</u>

**CITY OF ARCADIA, FLORIDA
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016**

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;
- Entry date is 1/1 coinciding with or next following the date the requirements are met.

As of the actuarial valuation date of January 1, 2016, membership consisted of:

Retirees, Disabled Participants and Beneficiaries	
Currently Receiving Benefits and Terminated	31
Employees Not Yet Receiving Benefits	31
Active Employees	31
Total	62

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

Age	Years of Service	Vesting %
Less than 55	Less than 2	0%
	2	20%
	3	40%
	4	60%
	5	80%
	6 or More	100%
55 and Over	Any Number	100%

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Plan Description (Continued)

Prior to September 20, 2011:

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

Benefits at retirement are summarized as follows:

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

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

Funding Policy

City employees are required to contribute 5% of their basic earnings excluding bonuses, overtime, and commissions. The employer is required to contribute actuarially determined amounts which, together with member contributions, are sufficient to fund the System.

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Contributions

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

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2016. 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, 2016 were as follows:

Total Pension Liability	\$ 3,367,454
Plan Fiduciary Net Position	(2,442,180)
City's Net Pension Liability	<u>\$ 925,274</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.52%

For the year ended September 30, 2016, the City recognized pension expense of \$53,280 for the plan. At September 30, 2016, 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	\$ 39,066	\$ 14,394
Changes of Assumptions	87,448	-
Differences between Expected and Actual Investment Earnings	93,411	-
Total	<u>\$ 219,925</u>	<u>\$ 14,394</u>

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>
2017	\$ 67,941
2018	67,941
2019	55,012
2020	14,637
2021	-
Total	<u>\$ 205,531</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.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability of the City (Continued)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2016, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.30%
Salary Increases	4.50%
Investment Rate of Return	6.50%

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

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

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

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability of the City (Continued)

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

	<u>1% Decrease 5.50%</u>	<u>Current Discount Rate 6.50%</u>	<u>1% Increase 7.50%</u>
City's Net Pension Liability	<u>\$ 1,332,680</u>	<u>\$ 925,274</u>	<u>\$ 546,587</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, 2016, and the current sharing pattern of costs between employer and employee.

All actuarial methods and assumptions used in the January 1, 2016 actuarial valuation report were the same as those used in the prior report:

Actuarial Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Salary Increases	4.50%
Investment Rate of Return	6.50%
Retirement Age	Normal Retirement Age, Age 65
Mortality	RP-2000 Combined Healthy Participant Mortality Tables, by gender, with generational projections by scale BB

**CITY OF ARCADIA, FLORIDA
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 this time. As of September 30, 2015, there were no remaining former paid firefighters contributing to the Plan.

At September 30, 2016, membership consisted of:

Retirees, Disabled Participants and Beneficiaries	
Currently Receiving Benefits, Terminated	
Employees Not Yet Receiving Benefits and	
Deferred Retirement Option Plan Participants	29
Active Employees	14
Total	43

Benefits

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

Retirement:

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

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

Disability:

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

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Benefits (Continued)

Death:

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

Deferred Retirement Option Plan (DROP):

Any member who is eligible for normal retirement under the Plan may elect to defer receipt of such service retirement pension by participating in the DROP, while continuing their employment with the City for a period not to exceed 60 months. The amount of the benefit under the DROP is the same as the participant would have received under the Plan had he or she terminated his or her employment and elected to receive monthly benefit payments. Under the DROP, amounts representing the participant's monthly benefits are maintained within the Plan, earning a 6.5% annual rate of return or actual net rate of return earned by the Plan at the member's election. Amounts in the DROP are then made available to the participant (various payment options are available) at the end of the DROP period. The DROP balance as September 30, 2016 is \$1,097,379.

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, 2016 was 70.13% 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, 2016 were \$95,602.

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2015. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2016 were as follows:

Total Pension Liability	\$ 10,343,340
Plan Fiduciary Net Position	<u>(8,697,324)</u>
City's Net Pension Liability	<u><u>\$ 1,646,016</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.13%

For the year ended September 30, 2016, the City recognized pension expense of \$87,782 for the plan. At September 30, 2016, 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	\$ 88,479	\$ -
Changes of Assumptions	62,544	-
Differences between Expected and Actual Investment Earnings	576,575	-
City Pension Plan Contributions Subsequent to the Measurement Date	<u>309,290</u>	-
Total	<u><u>\$ 1,036,888</u></u>	<u><u>\$ -</u></u>

The deferred outflows of resources related to the Pension Plan, totaling \$309,290 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, 2017. Other amounts reported as deferred outflows of resources related to the Plan will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 219,655
2018	219,655
2019	144,144
2020	144,144
2021	-
Total	<u><u>\$ 727,598</u></u>

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Net Pension Liability of the City (Continued)

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, 2014, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.75-6.50%
Investment Rate of Return	7.90%

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.50%
International Equity	8.50%
Domestic Fixed Income	2.50%
Global Fixed Income	3.50%

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.90%.

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Net Pension Liability of the City (Continued)

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

	1% Decrease 6.90%	Current Discount Rate 7.90%	1% Increase 8.90%
City's Net Pension Liability	\$ 2,777,992	\$ 1,646,016	\$ 878,676

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2015 and the current sharing pattern of costs between employer and employee.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

Contribution requirements for the postemployment benefit plan of the City are established and may be amended through recommendations of the City Administrator and action from the City Council. Currently, the City's other postemployment benefits are unfunded. The City has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation. For the fiscal year ended September 30, 2016, the City provided required contributions of \$309,906 toward the annual OPEB costs, in the form of age adjusted premiums paid on behalf of retirees for the fully insured benefits, and net of retiree contributions. Retirees are required to pay from 0% to 100% of the blended premium depending on their years of service and age at retirement to continue coverage under the City's group health insurance program.

Annual OPEB Cost and Net OPEB Obligation

The City has elected to calculate the annual required contribution (ARC) and related information using the Alternative Measurement Method (AMM) permitted by GASB Statement 45 for employers in plans with fewer than one hundred total Plan members. The City's annual OPEB cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 8 years.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three fiscal years were as follows:

Year Ended	Annual OPEB Cost	Actual City Contribution	Percentage Contributed	Net OPEB Obligation
9/30/14	\$ 128,928	\$ 122,572	95%	\$ 725,562
9/30/15	\$ 135,670	\$ 131,817	97%	\$ 729,652
9/30/16	\$ 247,906	\$ 172,961	70%	\$ 804,360

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

	2016
Normal Cost	\$ 44,858
Amortization of Unfunded Actuarial Accrued Liability	265,048
Annual Required Contribution	309,906
Interest on Net OPEB Obligation	29,177
Adjustments to Annual Required Contribution	(91,177)
Annual OPEB Cost	247,906
Contributions Made	172,961
Increase in Net OPEB Obligation	74,945
Net OPEB Obligation - Beginning of Year	729,415
Net OPEB Obligation - End of Year	\$ 804,360

CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Funded Status and Funding Progress

As of September 30, 2015, the AMM valuation date, the Plan assets were \$0, the actuarial accrued liability was \$2,038,829, the total unfunded actuarial accrued liability was \$2,038,829, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 0%. The covered payroll (annual payroll of active employees covered by the Plan) was \$2,604,321, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 78%.

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

Methods and Assumptions

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4% was used. An inflation rate of 3% was assumed. In addition, the Entry Age Normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at September 30, 2015 was eight years. Health insurance trends start at 7.00% for the fiscal year ended in 2016, grading down to 4.5% at the ultimate trend rate by 2025.

**CITY OF ARCADIA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Methods and Assumptions (Continued)

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

NOTE 12 DEFICITS

The McSwain Park Fund has an unassigned fund balance deficit of \$2,871. This deficit is due amounts spent in excess of the grant and previous transfers from the General Fund.

NOTE 13 PRIOR PERIOD ADJUSTMENT

During the current year it was determined that certain tax revenues were not recognized as revenue in the proper period. In accordance with the provisions of GASB Statement No. 33, derived tax revenue should be recognized when both the exchange transactions on which the tax is imposed have occurred and the resources are available.

To correct this error, beginning fund balances of the governmental funds and net position of the governmental activities have been restated as follows:

	General Fund	Other Governmental Funds
Fund Balances - Beginning of Year, as Previously Stated	\$ 1,551,246	\$ 1,187,705
Prior Period Adjustment for:		
Derived Tax Revenue not Recorded in the Prior Year	57,109	28,434
Fund Balances - Beginning of Year, as Restated	\$ 1,608,355	\$ 1,216,139
	Governmental Activities	
Net Position - Beginning of Year, as Previously Stated	\$ 9,569,040	
Prior Period Adjustment for:		
Derived Tax Revenue not Recorded in the Prior Year	85,543	
Net Position - Beginning of Year, as Restated	\$ 9,654,583	

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,438,797	\$ 2,604,330	\$ 2,603,139	\$ (1,191)
Charges for Services	447,116	351,228	351,163	(65)
Permits, Fees and Assessments	650,980	697,346	692,458	(4,888)
Intergovernmental	591,357	655,876	658,715	2,839
Fines and Forfeitures	41,500	64,816	62,804	(2,012)
Interest Revenue	250	-	7,440	7,440
Other Revenues	215,400	357,349	457,216	99,867
Total Revenues	<u>4,385,400</u>	<u>4,730,945</u>	<u>4,832,935</u>	<u>101,990</u>
EXPENDITURES				
General Government:				
Legislative	80,446	55,446	69,357	13,911
Executive	358,050	358,050	255,605	(102,445)
Financial and Administrative	255,807	315,807	220,740	(95,067)
Garage	128,617	129,069	118,061	(11,008)
Way Building	34,866	51,462	47,378	(4,084)
Legal	80,100	55,100	26,896	(28,204)
Comprehensive Planning	135,945	110,945	102,811	(8,134)
Other Governmental Services	380,958	329,632	224,629	(105,003)
Total General Government	<u>1,454,789</u>	<u>1,405,511</u>	<u>1,065,477</u>	<u>(340,034)</u>
Public Safety:				
Law Enforcement	1,451,675	1,510,459	1,541,854	31,395
Fire Control	407,483	670,243	668,933	(1,310)
School Crossing Guard	18,822	18,822	15,179	(3,643)
Total Public Safety	<u>1,877,980</u>	<u>2,199,524</u>	<u>2,225,966</u>	<u>26,442</u>
Physical Environment:				
Cemetery	59,069	54,069	49,094	(4,975)
Transportation:				
Roads and Streets	384,112	389,673	369,104	(20,569)
Traffic Control	87,850	87,666	34,430	(53,236)
Total Transportation	<u>471,962</u>	<u>477,339</u>	<u>403,534</u>	<u>(73,805)</u>
Culture and Recreation:				
Golf Course	410,715	409,715	398,077	(11,638)
Parks	241,984	228,924	209,531	(19,393)
Mobile Home Park	170,517	150,767	145,413	(5,354)
Total Culture and Recreation	<u>823,216</u>	<u>789,406</u>	<u>753,021</u>	<u>(36,385)</u>
Capital Outlay	-	114,966	119,791	4,825
Total Expenditures	<u>4,687,016</u>	<u>5,040,815</u>	<u>4,616,883</u>	<u>(423,932)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(301,616)</u>	<u>(309,870)</u>	<u>216,052</u>	<u>525,922</u>
OTHER FINANCING SOURCES				
Transfers In	301,613	301,613	666,598	364,985
NET CHANGE IN FUND BALANCE	(3)	(8,257)	882,650	890,907
Fund Balance - Beginning of Year, as Previously Stated	1,551,246	1,551,246	1,551,246	-
Prior Period Adjustment	-	-	57,109	57,109
Fund Balance - Beginning of Year, as Restated	<u>1,551,246</u>	<u>1,551,246</u>	<u>1,608,355</u>	<u>57,109</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,551,243</u>	<u>\$ 1,542,989</u>	<u>\$ 2,491,005</u>	<u>\$ 948,016</u>

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
MCSWAIN PARK FUND
YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other Revenues	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)
EXPENDITURES				
Capital Outlay	544,726	544,726	464,235	(80,491)
NET CHANGE IN FUND BALANCE	(44,726)	(44,726)	(464,235)	(419,509)
Fund Balance - Beginning of Year	461,364	461,364	461,364	-
FUND BALANCE - END OF YEAR	<u>\$ 416,638</u>	<u>\$ 416,638</u>	<u>\$ (2,871)</u>	<u>\$ (419,509)</u>

**CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
STREET RESERVE FUND
YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest Revenue	\$ -	\$ -	\$ 7,486	\$ 7,486
EXPENDITURES				
Capital Outlay	1,000,000	1,144,764	780,575	(364,189)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,000,000)</u>	<u>(1,144,764)</u>	<u>(773,089)</u>	<u>371,675</u>
OTHER FINANCING SOURCES				
Transfers In	500,000	500,000	661,018	161,018
Transfers Out	-	-	(100,000)	(600,000)
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>500,000</u>	<u>561,018</u>	<u>(438,982)</u>
NET CHANGE IN FUND BALANCE	(500,000)	(644,764)	(212,071)	(67,307)
Fund Balance - Beginning of Year	<u>1,234,149</u>	<u>1,234,149</u>	<u>1,234,149</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 734,149</u></u>	<u><u>\$ 589,385</u></u>	<u><u>\$ 1,022,078</u></u>	<u><u>\$ (67,307)</u></u>

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
INFRASTRUCTURE FUND
YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest Revenue	\$ -	\$ -	\$ 2,819	\$ 2,819
Other Revenues			8	8
Total Revenues	<u>-</u>	<u>-</u>	<u>2,827</u>	<u>2,827</u>
EXPENDITURES				
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,827</u>	<u>2,827</u>
OTHER FINANCING SOURCES				
Transfers Out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(1,164,109)</u>	<u>(664,109)</u>
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(1,164,109)</u>	<u>(664,109)</u>
NET CHANGE IN FUND BALANCE	<u>(500,000)</u>	<u>(500,000)</u>	<u>(1,161,282)</u>	<u>(661,282)</u>
Fund Balance - Beginning of Year	<u>1,161,282</u>	<u>1,161,282</u>	<u>1,161,282</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 661,282</u></u>	<u><u>\$ 661,282</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (661,282)</u></u>

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

	2016	2015	2014
TOTAL PENSION LIABILITY			
Service Cost	\$ 52,713	\$ 49,670	\$ 68,971
Interest on Total Pension Liability	205,389	195,956	202,194
Differences Between Expected and Actual Experience	(18,274)	66,851	(193,138)
Changes of Assumptions	111,019	-	-
Benefit Payments, Including Refunds of Employee Contributions	(178,227)	(162,803)	(146,834)
Net Change in Total Pension Liability	<u>172,620</u>	<u>149,674</u>	<u>(68,807)</u>
Total Pension Liability - Beginning of Year	<u>3,194,834</u>	<u>3,045,160</u>	<u>3,113,967</u>
Total Pension Liability - End of Year	<u>\$ 3,367,454</u>	<u>\$ 3,194,834</u>	<u>\$ 3,045,160</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 226,870	\$ 198,247	\$ 143,577
Contributions - State	-	-	-
Contributions - Employee	50,387	46,964	30,416
Net Investment Income	154,439	(64,042)	99,110
Benefit Payments, Including Refunds of Member Contributions	(178,227)	(162,803)	(146,834)
Administrative Expenses	(55,661)	(2,648)	(2,735)
Net Change in Plan Fiduciary Net Position	<u>197,808</u>	<u>15,718</u>	<u>123,534</u>
Plan Fiduciary Net Position - Beginning of Year	<u>2,244,372</u>	<u>2,228,654</u>	<u>2,105,120</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 2,442,180</u>	<u>\$ 2,244,372</u>	<u>\$ 2,228,654</u>
City's Net Pension Liability	<u>\$ 925,274</u>	<u>\$ 950,462</u>	<u>\$ 816,506</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.52%	70.25%	73.19%
Covered-Employee Payroll	\$ 952,475	\$ 640,695	\$ 594,195
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	97.14%	148.35%	137.41%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 226,870	\$ 158,901	\$ 151,965
Contributions in Relation to the Actuarially Determined Contribution	<u>226,870</u>	<u>198,247</u>	<u>143,577</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (39,346)</u>	<u>\$ 8,388</u>
Covered Employee Payroll	\$ 952,475	\$ 640,695	\$ 594,195
Contributions as a Percentage of Covered-Employee Payroll	23.82%	30.94%	24.16%

NOTES:

Valuation Date January 1, 2016

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:	10 Years
Asset Valuation Method:	Book Value
Salary Increases:	4.50%
Investment Rate of Return:	6.50%
Retirement Age:	Normal Retirement Age, Age 65
Inflation:	2.3% per Year
Mortality:	RP-2000 Combined Healthy Participant Mortality Tables, by gender, with generational projections by scale BB

Additional years will be included as the years become available.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	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 THREE FISCAL YEARS

Reporting Period Ending	9/30/2016	9/30/2015	9/30/2014
Measurement Date	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
TOTAL PENSION LIABILITY			
Service Cost	\$ 117,101	\$ 119,940	\$ 111,056
Interest on Total Pension Liability	768,557	741,182	717,978
Differences between Expected and Actual Experience	132,719	-	-
Changes of Assumptions	93,816	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(517,422)</u>	<u>(514,785)</u>	<u>(580,930)</u>
Net Change in Total Pension Liability	594,771	346,337	248,104
Total Pension Liability - Beginning of Year	<u>9,748,569</u>	<u>9,402,232</u>	<u>9,154,128</u>
Total Pension Liability - End of Year	<u>\$ 10,343,340</u>	<u>\$ 9,748,569</u>	<u>\$ 9,402,232</u>
 PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 238,735	\$ 381,020	\$ 247,435
Contributions - State	202,172	-	109,590
Contributions - Employee	52,059	48,565	56,484
Net Investment Income	(23,626)	555,671	888,134
Benefit Payments, Including Refunds of Member Contributions	(517,422)	(514,820)	(580,930)
Administrative Expenses	<u>(40,910)</u>	<u>(32,798)</u>	<u>(30,115)</u>
Net Change in Plan Fiduciary Net Position	(88,992)	437,638	690,598
Plan Fiduciary Net Position - Beginning of Year	<u>8,786,316</u>	<u>8,348,678</u>	<u>7,658,080</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 8,697,324</u>	<u>\$ 8,786,316</u>	<u>\$ 8,348,678</u>
City's Net Pension Liability	<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	84.09%	90.13%	88.79%
Covered-Employee Payroll	\$ 748,459	\$ 505,532	\$ 588,375
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	219.92%	190.34%	179.06%

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

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

Reporting Period Ending	9/30/2017	9/30/2016	9/30/2015
Measurement Date	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	6.56%	(0.37%)	6.80%

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

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2016**

City of Arcadia, Florida OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2010	\$ -	\$ 4,165,734	\$ 4,165,734	-	\$ 1,793,708	232.24%
9/30/2012	\$ -	\$ 1,384,654	\$ 1,384,654	-	\$ 2,357,730	58.73%
10/1/2015	\$ -	\$ 2,038,829	\$ 2,038,829	-	\$ 2,604,321	78.29%

COMBINING FUND FINANCIAL STATEMENTS

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Capital Projects Fund

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

**CITY OF ARCADIA, FLORIDA
 COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016**

	<u>Special Revenue Fund</u>		
ASSETS	<u>CDBG</u>	<u>Capital Improvement</u>	<u>Totals</u>
Cash and Cash Equivalents	\$ 1,800	\$ 1,540,468	\$ 1,542,268
Due from Other Governments	-	90,976	90,976
Total Assets	<u>\$ 1,800</u>	<u>\$ 1,631,444</u>	<u>\$ 1,633,244</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to Other Funds	\$ 1,800	\$ -	\$ 1,800
FUND BALANCES			
Assigned for:			
Special Projects	-	-	-
Capital Projects	-	1,631,444	1,631,444
Total Fund Balances	<u>-</u>	<u>1,631,444</u>	<u>1,631,444</u>
Total Liabilities and Fund	<u>\$ 1,800</u>	<u>\$ 1,631,444</u>	<u>\$ 1,633,244</u>

**CITY OF ARCADIA, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES —
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Fund	Capital Improvement	Totals
	CDBG		
REVENUES			
Taxes	\$ -	\$ 522,826	\$ 522,826
Interest Revenue		7,197	7,197
Total Revenue	<u>-</u>	<u>530,023</u>	<u>530,023</u>
EXPENDITURES			
Capital Outlay	<u>-</u>	<u>51,211</u>	<u>51,211</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>478,812</u>	<u>478,812</u>
OTHER FINANCING SOURCES			
Transfers Out	<u>-</u>	<u>(63,507)</u>	<u>(63,507)</u>
NET CHANGE IN FUND BALANCE	-	415,305	415,305
Fund Balance - Beginning of Year as Previously Stated	-	1,187,705	1,187,705
Prior Period Adjustment	<u>-</u>	<u>28,434</u>	<u>28,434</u>
Fund Balance - Beginning of Year, as Restated	-	1,216,139	1,216,139
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 1,631,444</u>	<u>\$ 1,631,444</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, 2016**

	<u>Police Officers' and Firefighters' Retirement System</u>	<u>Employees' Retirement Plan</u>	<u>Total</u>
ASSETS			
Contributions Receivable	\$ 18,392	\$ -	\$ 18,392
Interest and Dividends Receivable	19,007	-	19,007
Investments:			
Short-Term Investments	235,755	51,606	287,361
Common Stock	2,347,015	-	2,347,015
Foreign Stock	91,124	-	91,124
Unit Investment Trusts	81,827	-	81,827
U.S. Government Obligations	1,067,049	-	1,067,049
Mortgage/Asset-Backed Securities	1,048,620	-	1,048,620
Corporate Bonds	1,432,261	-	1,432,261
Mutual Funds - Equity	2,791,211	573,706	3,364,917
Mutual Funds - Fixed Income	-	827,418	827,418
Nonparticipating Interest-Earning Contract	-	989,450	989,450
Total Investments	<u>9,094,862</u>	<u>2,442,180</u>	<u>11,537,042</u>
 Total Assets	 9,132,261	 2,442,180	 11,574,441
LIABILITIES			
Accounts Payable	<u>10,673</u>	<u>-</u>	<u>10,673</u>
NET POSITION			
Net Position Restricted for:			
Pension Benefits	<u>\$ 9,121,588</u>	<u>\$ 2,442,180</u>	<u>\$ 11,563,768</u>

CITY OF ARCADIA, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Police Officers' and Firefighters' Retirement System	Employees' Retirement Plan	Total
ADDITIONS			
Contributions:			
Employer	\$ 309,290	\$ 226,870	\$ 536,160
State of Florida	95,602	-	95,602
Plan Members	55,177	50,387	105,564
Total Contributions	<u>460,069</u>	<u>277,257</u>	<u>737,326</u>
Investment Income:			
Net Increase in Fair Value of Investments	401,042	92,902	493,944
Realized Gain on Sale of Investments	901	-	901
Interest and Dividends	203,514	83,908	287,422
Total Investment Income	<u>605,457</u>	<u>176,810</u>	<u>782,267</u>
Less: Investment Expenses	<u>(53,425)</u>	<u>(22,371)</u>	<u>(75,796)</u>
Net Investment Income	<u>552,032</u>	<u>154,439</u>	<u>706,471</u>
Total Additions	<u>1,012,101</u>	<u>431,696</u>	<u>1,443,797</u>
DEDUCTIONS			
Benefits	552,372	178,227	730,599
Administrative Expenses	35,465	55,661	91,126
Total Deductions	<u>587,837</u>	<u>233,888</u>	<u>821,725</u>
CHANGE IN NET POSITION	424,264	197,808	622,072
Net Position - Beginning of Year	<u>8,697,324</u>	<u>2,244,372</u>	<u>10,941,696</u>
NET POSITION - END OF YEAR	<u>\$ 9,121,588</u>	<u>\$ 2,442,180</u>	<u>\$ 11,563,768</u>

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016**

Federal / State Agency, Pass-through Entity, Federal / State Program	Federal CFDA Number	Grant Identification Number	Federal Expenditures
FEDERAL AWARDS			
U.S. Department of Justice			
(Passed through Florida Department of Law Enforcement)			
Justice Assistance Grant	16.738	2016-JAGC-DESO-2-H3-076	\$ 8,363
Justice Assistance Grant	16.738	2016-JAGD-DESO-2-H4-077	1,484
Total Justice Assistance Grants			<u>9,847</u>
(Passed through Florida Office of the Attorney General)			
Victims of Crime Grant	16.575	V14-14008	29,204
Total U.S. Department of Justice			<u>39,051</u>
U.S. Department of Transportation			
Direct			
Aviation Improvement Program	20.106	3-12-0093-004-2013	(19,558)
Total U.S. Department of Transportation			<u>(19,558)</u>
U.S. Environmental Protection Agency			
(Passed through Florida Department of Environment Protection)			
CWSRF Cluster			
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW140110	590,681
DWSRF Cluster			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW140100	4,638,238
Total U.S. Environmental Protection Agency			<u>5,228,919</u>
Total Expenditures of Federal Awards			<u>\$ 5,248,412</u>

CITY OF ARCADIA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards includes federal grant activity of the City. The reporting entity of the City is disclosed in Note 1 of the notes to the basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental entities, are included in this schedule.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Negative amounts reflected in the schedule represent adjustments or credits resulting from 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 LOANS OUTSTANDING

The City has \$4,600,990 in outstanding loans as of September 30, 2016 from the State Revolving Fund loan programs.



**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001 and 2016-002, that we consider to be material weaknesses.

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

Compliance and Other Matters

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

City of Arcadia's Responses to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Sebring, Florida
June 28, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Arcadia, Florida's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City's major federal programs 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003 that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sebring, Florida
June 28, 2017

**CITY OF ARCADIA, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS —
 FEDERAL PROGRAMS
 YEAR ENDED SEPTEMBER 30, 2016**

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? x yes none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk? yes x no

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONS COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

Section II – Financial Statement Findings

2016-001 – Bank Reconciliations (Previously Identified as Finding 2015-001)

Type of Finding

- Material Weakness in Internal Control over Financial Reporting

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

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

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

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

Cause: The City is still working through issues that were a result of turnover in the Finance Department and delays in previous year’s audits, which has caused a backlog in the reconciliation process. There are also errors with the processing of customer deposit transactions within the accounting software that are contributing to the delays in reconciling the accounts.

Recommendation: Management should continue to improve on its bank reconciliation process with more accurate and timely reconciliations. All bank reconciliations should be reviewed and approved by an individual, not responsible for the preparation of them, with the appropriate knowledge.

Views of responsible officials and planned corrective actions: Management concurs with this finding. Staff is continuing to strengthen procedures and practices to ensure that reconciliations and entries are being completed on a monthly basis. This year Staff did complete all of the other (smaller) bank reconciliations before the Auditors began testing; however, while the monthly reconciliation process for the Pooled Cash account was being done each month, pooled cash did not reconcile to the General Ledger before the Auditors started. Staff understands the importance of completely reconciling all Bank Statements to General Ledger each month in order to be able to ensure there are no misstatements, errors or other problems. It was not revealed that there was any negative financial impact created by this weakness for the 2015-16 year, however, it continues to be Management’s top priority to complete these reconciliations timely.

As mentioned above in the “Cause,” it was discovered that there had been a change made in the 2012-13 fiscal year by former finance staff to how Meter Deposit revenue was accounted for in the computer software. This was part of the issue causing the Pooled Cash account and other General Ledger accounts to not reconcile. The Auditors have helped staff to work through this process and determine what the correct account entry should be. Changes were made to the entry in the system to stop this from happening in the future.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONS COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

Section II – Financial Statement Findings (Continued)

2016-002 – Account Reconciliations and Audit Adjustments (Previously Identified as Finding 2015-002)

Type of Finding

- Material Weakness in Internal Control over Financial Reporting

Condition: In prior years, the City did not record certain derived tax revenues in the period that the revenues were earned. This error was identified in the current year, and the net position of the governmental activities and fund balances of the governmental funds were restated to correct the error.

Our audit procedures disclosed that balance sheet accounts are not reconciled on a monthly basis. Utility receivables and deposit subledgers did not reconcile to the general ledger. Additionally, other receivables, allowance for doubtful accounts, other assets, accounts payable, long term debt, and other accounts did not reconcile to supporting documentation.

Material adjustments to correct errors in the City's financial statements were identified during the audit.

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: Beginning fund balance, beginning net position, assets, deferred outflows of resources, liabilities, revenues, and expenditures/expenses were misstated.

Cause: The City is still working through issues that were a result of turnover in the Finance Department and delays in previous year's audits, which has caused a backlog in various accounting processes. Account reconciliations were not performed for various account balances.

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

CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONS COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016

Section II – Financial Statement Findings (Continued)

2016-002 – Account Reconciliations and Audit Adjustments (Previously Identified as Finding 2015-002) (Continued)

Views of responsible officials and planned corrective actions: Management concurs with this finding. Actions are being taken now to ensure that derived tax revenues are recorded in the period in which they were earned. Staff was not aware of this requirement and was recording the revenues for the month that was printed on the payment which was for one month prior. It is now understood that the actual period that the revenue is earned is two months prior to the month printed on the payment.

Management understands the auditors' concerns regarding the lack of review process for bank reconciliations and other accounting procedures. Because we are a small organization, segregation of duties is sometimes difficult, but Management is working on ways to have more review of reconciliations. During fiscal year 2016-17, the City hired a seasonal Accounting Clerk to help with the reconciliations for the 2015-16 audit. We are doing the same for fiscal year 2017-18, with the possibility of keeping that person throughout the year. This would allow us to have more staff to review reconciliations and journal entries.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONS COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs

2016-003 – Suspension and Debarment

Federal Agency: Environmental Protection Agency

State Program Title: Capitalization Grants for Clean Water State Revolving Funds (CWSRF)

CFDA: 66.458

Pass-Through Agency: State of Florida, Department of Environmental Protection

Pass-Through Number: WW140110

Award Period: November 10, 2015 to July 15, 2017

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The City's management is responsible for establishing and maintaining internal controls to ensure that federal awards are managed in accordance with federal laws and regulations.

Condition: Internal controls over the CWSRF grant were not in place to ensure that the City was contracting with a party that was not suspended or debarred.

Questioned costs: None

Context: Review of the City's internal controls over direct and material compliance requirements and testing of procurement and suspension and debarment requirements disclosed the deficiency.

Cause: The internal control structure did not provide for adequate technical understanding, supervision, and monitoring needed to ensure compliance with grant requirements.

Effect: The City did not contract with a party that was suspended or debarred; therefore, the City is in compliance with the program requirements. However, if the City would have contracted with a suspended or debarred party, who is ineligible to participate in the federal transaction, the Federal agency may disallow costs or take other remedies as appropriate.

Recommendation: We recommend designating an individual to directly oversee the programmatic requirements of the grant. The individual should have experience in grant management or be provided training in grant management and compliance requirements.

Views of responsible officials and planned corrective actions: Management is in agreement that internal controls need to be in place to ensure federal awards are managed in accordance with federal laws and regulations. A finance staff member will be made responsible to oversee the requirements of the grant and ensure that the City is not contracting with a party that was suspended or debarred.

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, 2016, and have issued our report thereon dated June 28, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards, Section 601*, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 28, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the schedule below.

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

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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 determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. See items 2016-004, 2016-006, and 2016-007 in the accompanying schedule of findings and responses.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. See item 2016-005 in the accompanying schedule of findings and responses.

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

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

CliftonLarsonAllen LLP

Sebring, Florida
June 28, 2017

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2016**

STATUS OF PRIOR YEAR FINDINGS

Prior Year Findings		Current Year Status			Current	2014-2015	2013-2014
		Cleared	Partially Cleared	Not Cleared	Year Finding #	Year Finding #	Year Finding #
Bank Reconciliations	Internal Control			X	2016-001	2015-001	N/A
Revenue Recognition and Audit Adjustments	Internal Control			X	2016-002	2015-002	N/A

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2016-004: Continuing Education for Investments

Condition: City personnel responsible for making investment decisions did not complete the continuing education requirements during the fiscal year ending September 30, 2016.

Criteria or specific requirement: Section 218.415(14) Florida Statutes and the City's Investment Policy state that personnel must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

Effect: Management's decisions may be affected by information obtained while participating in courses related to investment practices and products.

Cause: Continuing education for investments was not obtained.

Recommendation: The required continuing education should be obtained on an annual basis.

Views of Responsible Officials: The Finance Director only completed 4 of the 8 Continuing Education hours required annually for investments. Management understands how important it is to obtain this training and will do so.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

2016-005: Covenant Compliance

Condition: The rate covenant calculation for the Capitalization Grants for Drinking Water State Revolving Funds Grant Program (DWSRF) was not performed prior to the submission of the annual certification. Also, the certification was submitted to the grantor after the deadline.

The continuing disclosure for the Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003 was not filed with the nationally recognized municipal securities information repository for fiscal year 2016.

Criteria or specific requirement: The City's management is responsible for establishing and maintaining internal controls to ensure that compliance with debt covenants are being met.

Effect: DWSRF rate covenant calculations were not performed or reviewed, and the annual certification was submitted to the grantor one and a half months after the deadline.

Failure to make the required disclosures could have negative effects on the current outstanding bonds and future bond offerings by the City.

Cause: Management did not possess an adequate technical understanding of the continuing disclosure requirements to ensure compliance.

Recommendation: Rate covenant calculations, financial information, and operating data for reporting should be completed and reviewed by an individual, other than the preparer, who is knowledgeable of the compliance requirements. Additionally, annual certifications and continuing disclosures should be filed by the required deadlines.

Views of Responsible Officials: Management concurs with this finding. The deadlines for certification of the Bonds the SRF Loans will be scheduled on staff calendars for reminders so that they will be completed timely for the 16-17 year. The spreadsheet for continuing disclosure will be scheduled to be submitted to DAC Bond by March 31, 2017.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

2016-006: Journal Entries

Condition: In five of seven journal entries selected, supporting documentation was not maintained with the journal entry form. Additionally, journal entries are not reviewed by an individual other than the preparer.

Criteria or specific requirement: The City's management is responsible for establishing and maintaining internal controls to ensure that manual journal entries are adequately supported and reviewed.

Effect: Erroneous or fraudulent journal entries may be entered into the accounting system.

Cause: An adequate system of internal controls over journal entry processing and review was not in place.

Recommendation: All journal entries should be maintained and organized with sufficient documentation attached to demonstrate the accuracy of the transaction. Furthermore, journal entries should be reviewed by an individual, other than the preparer, along with evidence to identify the individuals preparing and reviewing the entry.

Views of Responsible Officials: Management is intent on making these internal controls stronger. We will put in place a better review process by training other staff to complete the Journal Entries so that the Finance Director can be the reviewer instead of the preparer. The Auditors have made many helpful suggestions and shared best practices for documenting the backup for journal entries. One way that we are "fixing" part of the journal entry issue is that we have almost completely stopped monthly revenue journal entries. They are now being entered through our receipt program in our financial system by the Fiscal Assistant when the daily deposits are made. The Finance Director will review these entries monthly.

**CITY OF ARCADIA, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

2016-007: Employees' Retirement Plan – Benefit Payments

Condition: In 17 of 17 benefit payments tested, the City, acting as plan administrator, had not documented the review and approval of the benefit payment calculation. Additionally, for 6 payments tested, there was no supporting documentation for the benefit payment calculation.

Criteria or specific requirement: The City's management, as plan administrator, is responsible for establishing and maintaining internal controls to ensure that pension plan benefit payments are adequately supported and reviewed.

Effect: An error in the benefit payment calculation for an individual could occur and remain undetected. Additionally, an error could go unnoticed indefinitely since the payment amount continues monthly for the remainder of a retiree's lifetime with no further review.

Cause: An adequate system of internal controls over benefit payment calculations and review was not in place.

Recommendation: All benefit payment calculations should be reviewed to ensure they are complete and accurate considering the appropriate average final compensation, amount of benefit at retirement, vesting percentage and other factors. This review should be performed by an individual who is not the preparer of the calculation. Furthermore, documentation of these calculations and approvals should be retained.

Views of Responsible Officials: While this is concerning, many of the 17 benefit payments that were tested were dated long before any of the current Finance Staff was here. It has already been corrected. Staff has a form that will be given to the employee upon their request to retire and receive benefits. The form will be sent to USI for computation and sent back to the City for review. We will then sign off on it as will the Employee and forward back to USI. A copy of this will be kept in a file for review by Auditors.

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined 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, 2016. 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, 2016.

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



CliftonLarsonAllen LLP

Sebring, Florida
June 28, 2017