CITY OF ARCADIA, FLORIDA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2025

CITY OF ARCADIA, FLORIDA
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YEAR ENDED SEPTEMBER 30, 2025

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 14 of the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, effective for the fiscal year ended September 30, 2025. GASB 101 required liabilities to be recognized for leave attributable to services already rendered, that accumulates, and is more likely than not to be used or otherwise paid or settled. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison for the General Fund, information on pension benefits, and information on other postemployment benefits be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, *Local Governmental Entity Audits,* Rules of the Auditor General of the State of Florida, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual fund financial statements and schedules and schedule of expenditures of federal awards and state financial assistance are 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 17, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
June 17, 2026

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.

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2025 by $64,464,972 (net position).
- As of September 30, 2025, the City's governmental funds reported combined ending fund balances of $4,626,262, for a decrease of $1,188,679 in comparison with the prior year. Of this amount, $3,665,963 is available for spending at the City's discretion (unassigned fund balance).
- The City's total net position increased $8,572,823. Net position for governmental activities increased $2,709,032, while net position for business-type activities increased $5,863,791.
- Total debt for the City increased $810,869 during the current fiscal year primarily as a result of SRF loan draws on two SRF loans and drawing on a new line of credit.

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.

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements, as listed in the table of contents, include only the City (known as the primary government). There are no component units.

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.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in the evaluation of the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Because of the different measurement focus (current financial resources versus economic resources) a reconciliation of both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is provided to facilitate the comparison between governmental funds and governmental activities. The flow of current financial resources reflects debt proceeds and the sale of capital assets as other financing sources, and capital outlays and debt principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (debt and others) into the governmental activities column (in the government-wide statements).

The City maintains two (2) individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Capital Improvement Fund are major funds. There were no nonmajor funds for fiscal year 2025.

For fiscal year 2025, the City adopted annual appropriated budgets for the General Fund. A Budgetary comparison schedule has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements are listed in the table of contents.

Proprietary Funds. The City maintains only one (1) of the two (2) proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City reports three (3) enterprise funds to account for its water and sewer services, solid waste operations, and the airport. The Water and Sewer Fund, Solid Waste Fund, and Airport Fund are considered to be major funds.

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

The basic proprietary fund financial statements are listed in the table of contents.

Fiduciary Funds. Fiduciary funds are used to account for resources that the City holds as a trustee or agent on behalf of an outside party (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 are listed in the table of contents.

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 are listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by $64,464,972 at the close of the most recent fiscal year.

CITY OF ARCADIA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	$ 5,345,550	$ 9,109,400	$ 2,749,770	$ 3,661,013	$ 8,095,320	$ 12,770,413
Capital Assets	17,453,299	13,487,972	60,484,562	51,196,948	77,937,861	64,684,920
Total Assets	22,798,849	22,597,372	63,234,332	54,857,961	86,033,181	77,455,333
Deferred Outflows of Resources	891,615	1,664,520	307,625	306,020	1,199,240	1,970,540
Long-Term Liabilities Outstanding	3,519,202	4,321,982	14,395,813	13,504,256	17,915,015	17,826,238
Other Liabilities	596,030	3,168,316	3,584,291	1,880,638	4,180,321	5,048,954
Total Liabilities	4,115,232	7,490,298	17,980,104	15,384,894	22,095,336	22,875,192
Deferred Inflows of Resources	494,802	224,539	177,311	178,785	672,113	403,324
Net Position:						
Net Investment in Capital Assets	17,183,311	13,432,548	44,825,183	38,178,190	62,008,494	51,610,738
Unrestricted	1,897,119	3,114,507	559,359	1,422,112	2,456,478	4,536,619
Total Net Position	$ 19,080,430	$ 16,547,055	$ 45,384,542	$ 39,600,302	$ 64,464,972	$ 56,147,357

Statement of Net Position (Continued)

By far, the largest portion of the City's net position (96%) reflects its investment in capital assets (e.g., land, building, infrastructure, equipment, right-to-use equipment, and subscription-based information technology arrangements 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.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position.

For more detailed information see the Statement of Net Position.

Normal Impacts

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

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

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

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

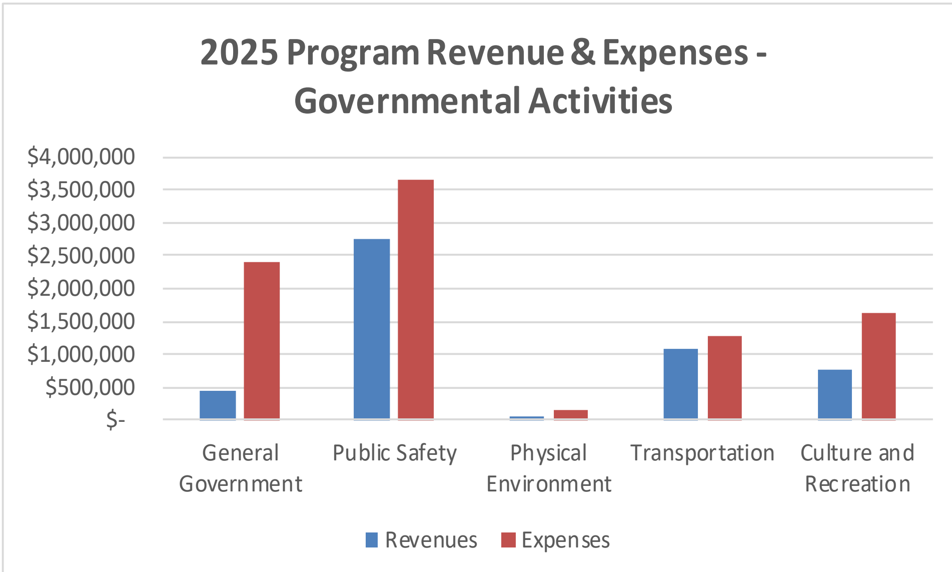
Spending of Nonborrowed Current Assets on New Capital – will reduce current assets and increase capital assets and reduce unrestricted net position and increase the net investment in capital assets.

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

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

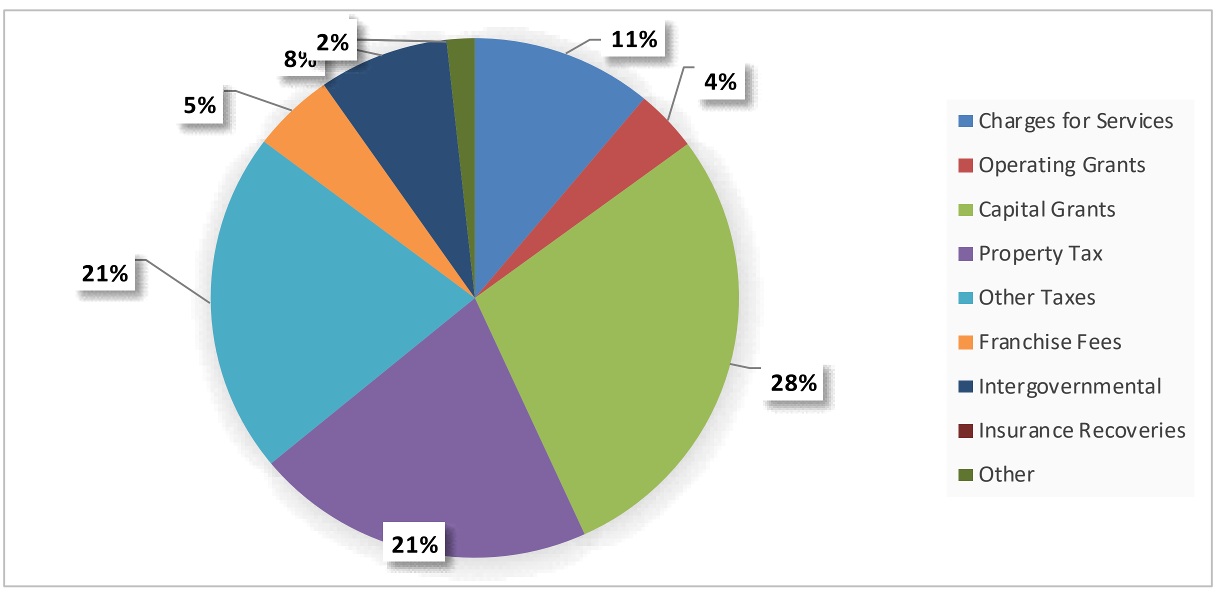
CITY OF ARCADIA'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for Services	$ 1,309,091	$ 1,488,623	$ 8,504,133	$ 8,405,326	$ 9,813,224	$ 9,893,949
Operating Grants and Contributions	454,273	1,878,113	-	-	454,273	1,878,113
Capital Grants and Contributions	3,342,814	1,017,794	8,530,692	7,152,895	11,873,506	8,170,689
General Revenues:						
Property Taxes	2,465,359	2,196,995	-	-	2,465,359	2,196,995
Other Taxes	2,515,231	2,378,759	-	-	2,515,231	2,378,759
Franchise Fees	593,597	582,811	-	-	593,597	582,811
Intergovernmental	942,534	944,196	-	-	942,534	944,196
Insurance Recoveries	-	293,354	-	131,652	-	425,006
Other	203,660	314,709	36,099	45,817	239,759	360,526
Total Revenues	11,826,559	11,095,354	17,070,924	15,735,690	28,897,483	26,831,044
Expenses:						
General Government	2,400,570	2,331,146	-	-	2,400,570	2,331,146
Public Safety	3,643,982	3,214,512	-	-	3,643,982	3,214,512
Physical Environment	165,310	345,972	-	-	165,310	345,972
Transportation	1,282,481	1,167,677	-	-	1,282,481	1,167,677
Culture and Recreation	1,623,544	1,477,663	-	-	1,623,544	1,477,663
Debt Service:						
Interest on Long-Term Debt	1,640	1,623	-	-	1,640	1,623
Water and Sewer	-	-	8,657,964	8,468,448	8,657,964	8,468,448
Solid Waste	-	-	1,407,616	1,302,943	1,407,616	1,302,943
Airport	-	-	1,141,553	1,057,965	1,141,553	1,057,965
Total Expenses	9,117,527	8,538,593	11,207,133	10,829,356	20,324,660	19,367,949
Excess (Deficiency) before Transfers	2,709,032	2,556,761	5,863,791	4,906,334	8,572,823	7,463,095
Transfers	-	-	-	-	-	-
Change in Net Position	2,709,032	2,556,761	5,863,791	4,906,334	8,572,823	7,463,095
Net Position - Beginning	16,547,055	13,990,294	39,600,302	34,693,968	56,147,357	48,684,262
Restatement (see Note 14)	(175,657)	-	(79,551)	-	(255,208)	-
Net Position - Beginning, as Restated	16,371,398	13,990,294	39,520,751	34,693,968	55,892,149	48,684,262
Net Position - Ending	$ 19,080,430	$ 16,547,055	$ 45,384,542	$ 39,600,302	$ 64,464,972	$ 56,147,357



Governmental Activities – For the current year, the City's governmental activities had an increase in net position of $2,709,032, an increase of $2,556,761 in comparison with the prior year. This increase is comprised of an increase in revenues of $731,205 and offset by an increase in expenses of $578,934. The following graphic reflects the source of revenues for governmental activities.

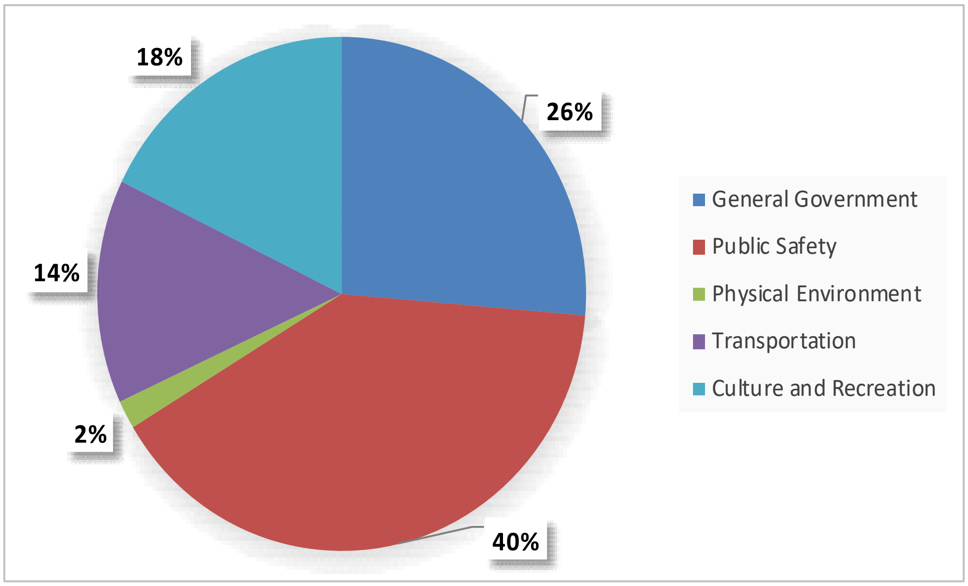
2025 Revenues by Source – Governmental Activities



The increase in revenues is primarily due to an increase capital grants and contributions by $2,325,020 primarily related to COVID-19 Pandemic funding while charges for services and other taxes had increases to help offset the decrease in operating grants in contributions, charges for services and insurance recoveries.

The following graphic reflects the use of expenses for governmental activities.

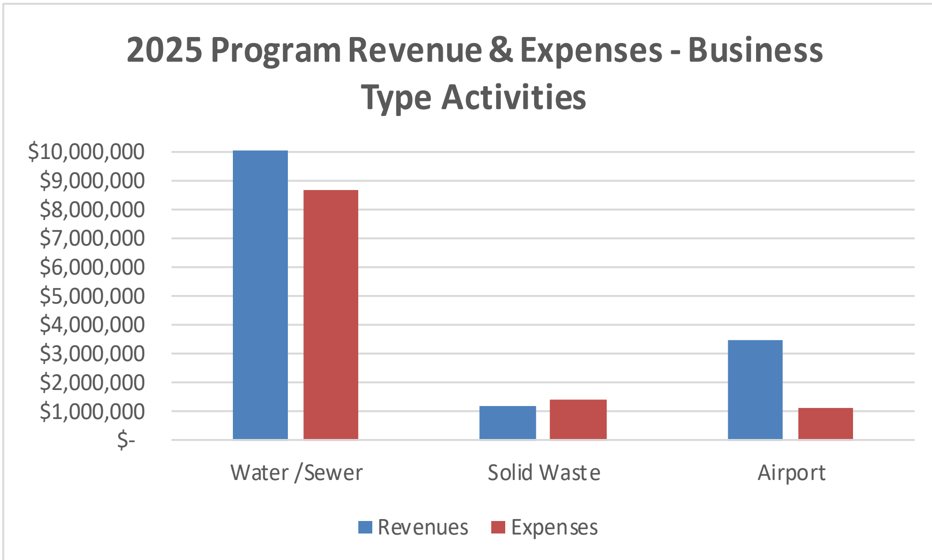
2025 Expenses by Type - Governmental Activities



The increase in expenses is primarily attributable to an increase in public safety of $429,470 which was primarily due to increases in personnel services as well as rising costs.

Business-Type Activities & Enterprise Funds – For the current year, the City's business-type activities had an increase in net position of $5,863,791, an increase of $4,906,334 in comparison with the prior year. This increase is comprised of an increase in revenues of $1,335,234 and an increase in expenses of $377,777.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to $(224,363); and the increase in total net position was $3,684,622 primarily due to an increase in capital grants and contribution in comparison to the prior year. Net position decreased in the Solid Waste Fund by $184,370. Lastly, Airport Fund increased by $2,363,539 primarily due to an increase in capital grants and contributions.



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 $4,626,262, a decrease of $1,188,679 over the prior year. Approximately 79% of this total amount, $3,665,963, constitutes unassigned fund balance which is available for spending at the City's discretion. During the current fiscal year, the fund balance of the General Fund decreased by $641,387.

The General Fund has a fund balance of $3,665,963 of which all is unassigned. The Capital Improvement fund has a fund balance of $960,299 of which all assigned for capital projects.

General Fund Budgetary Highlights – The City did amend the budget during the year, decreasing original appropriations by $395,886. More detailed information can be found in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual as listed in the table of contents.

Capital Assets and Debt Administration

Capital Assets – The City's capital assets for its governmental and business-type activities as of 2025, amount to $77,937,861 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, and improvements other than buildings, equipment, right-to-use equipment, SBITAs, infrastructure, and construction in progress.

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 1,334,812	$ 1,334,812	$ 580,214	$ 395,431	$ 1,915,026	$ 1,730,243
Construction in Progress	3,889,240	1,973,584	12,733,122	4,689,432	16,622,362	6,663,016
Buildings	2,734,049	2,675,637	21,432,677	19,291,691	24,166,726	21,967,328
Improvements Other than Buildings	7,419,312	6,952,039	-	-	7,419,312	6,952,039
Infrastructure	9,571,832	7,529,583	51,240,430	50,036,165	60,812,262	57,565,748
Machinery and Equipment	3,812,885	3,363,235	11,375,510	10,957,146	15,188,395	14,320,381
Right-to-Use Equipment	22,397	22,397	-	-	22,397	22,397
Subscription-Based Information Technology Arrangement Assets	33,329	33,329	-	2,635	33,329	35,964
Total Capital Assets	28,817,856	23,884,616	97,361,953	85,372,500	126,179,809	109,257,116
Less: Accumulated Depreciation/ Amortization	(11,364,557)	(10,396,644)	(36,877,391)	(34,175,552)	(48,241,948)	(44,572,196)
	$ 17,453,299	$ 13,487,972	$ 60,484,562	$ 51,196,948	$ 77,937,861	$ 64,684,920

Current significant capital projects in process and/or completed during the fiscal year include those for sanitary sewer and water infrastructure renewal and rehabilitation and the airport runway. Additional information on the City's capital assets can be found in Note 6 of the notes to the basic financial statements.

Debt – At the end of the 2025 fiscal year, the City had debt outstanding of $13,420,246.

City of Arcadia's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
State Revolving Fund Loans Payable	$ -	$ -	$ 11,556,063	$ 11,610,521	$ 11,556,063	$ 11,610,521
Line of Credit	-	-	1,285,000	-	1,285,000	-
Note Payable	-	-	373,288	601,787	373,288	601,787
Financed Purchases	-	-	183,153	359,477	183,153	359,477
Leases	10,355	16,192	-	-	10,355	16,192
SBITAs	12,387	21,400	-	-	12,387	21,400
Total	$ 22,742	$ 37,592	$ 13,397,504	$ 12,571,785	$ 13,420,246	$ 12,609,377

Debt balances increased due to draws on state revolving fund loans and draws on a line of credit. Notes payable and financed purchases also decreased due to regularly scheduled principal payments.

Additional information on the City's debt can be found in Note 7 and Note 8 of the notes to the basic financial statements.

Economic Factors and Next Year's Budget

For the 2025-26 budget year, the City Council adopted a millage rate of 7.9000. It remained the same as 2025, which was equal to the lowest millage rate since 2006. Gross taxable property values increased 10.9% in 2023-24, 15.4% in 2024-25 year, and 8.5% in the 2025-26 year. In addition, DeSoto County and Arcadia both continue to experience growth with new construction throughout. This continuing growth in property values along with new construction has enabled the millage rate to remain at the same rate for the past 4 years.

The growth pattern is still on the increase. This growth is evident throughout the State of Florida. While the population continues to grow due to migration from other states, it does appear the housing market is stabilizing. The accelerated value appreciation is getting closer to 2.1% statewide. The migration from other states continues to push an increased growth in development. This is affecting the less developed areas where more land is available for growth. DeSoto County and Arcadia have already seen this growth and anticipate this to continue for the near future. This growth creates an increase in overall property values and a positive impact to the revenues.

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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 3,448,791	$ 837,282	$ 4,286,073
Accounts Receivable, Net of Allowances	442,512	869,125	1,311,637
Lease Receivable	-	6,762	6,762
Due from Other Governments	495,818	1,402,867	1,898,685
Internal Balances	958,429	(958,429)	-
Restricted Assets:			
Cash and Cash Equivalents	-	592,163	592,163
Capital Assets:			
Nondepreciable	5,224,052	13,313,336	18,537,388
Being Depreciated and Amortized, Net	12,229,247	47,171,226	59,400,473
Total Assets	22,798,849	63,234,332	86,033,181
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	786,872	252,415	1,039,287
OPEB Related Items	104,743	55,210	159,953
Total Deferred Outflows of Resources	891,615	307,625	1,199,240
LIABILITIES			
Accounts Payable and Retainage Payable	352,220	2,785,667	3,137,887
Accrued Liabilities	190,239	97,234	287,473
Current Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	-	592,163	592,163
Unearned Revenue	53,571	109,227	162,798
Noncurrent Liabilities:			
Due Within One Year			
Compensated Absences	176,666	94,459	271,125
Notes, Financed Purchases, Line of Credit, Leases, and SBITAs	14,159	2,214,749	2,228,908
Total OPEB Liability	104,743	55,203	159,946
Due in More than One Year			
Compensated Absences	389,515	161,372	550,887
Notes, Financed Purchases, Leases, and SBITAs	8,583	11,182,755	11,191,338
Net Pension Liability	1,564,920	23,001	1,587,921
Total OPEB Liability	1,260,616	664,274	1,924,890
Total Liabilities	4,115,232	17,980,104	22,095,336
DEFERRED INFLOWS OF RESOURCES			
Lease Related Items	-	6,191	6,191
Pension Related Items	494,802	171,120	665,922
Total Deferred Inflows of Resources	494,802	177,311	672,113
NET POSITION			
Net Investment in Capital Assets	17,183,311	44,825,183	62,008,494
Unrestricted	1,897,119	559,359	2,456,478
Total Net Position	$ 19,080,430	$ 45,384,542	$ 64,464,972

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	$ 2,400,570	$ 323,917	$ 16,977	$ 101,377	$ (1,958,299)	$ -	$ (1,958,299)
Public Safety	3,643,982	192,600	399,704	2,170,590	(881,088)	-	(881,088)
Physical Environment	165,310	49,285	16,574	-	(99,451)	-	(99,451)
Transportation	1,282,481	148,615	21,018	904,364	(208,484)	-	(208,484)
Culture and Recreation	1,623,544	594,674	-	166,483	(862,387)	-	(862,387)
Debt Service:							
Interest on Long-Term Debt	1,640	-	-	-	(1,640)	-	(1,640)
Total Governmental Activities	9,117,527	1,309,091	454,273	3,342,814	(4,011,349)	-	(4,011,349)
BUSINESS-TYPE ACTIVITIES							
Water and Sewer	8,657,964	6,603,267	-	5,709,757	-	3,655,060	3,655,060
Solid Waste	1,407,616	1,218,336	-	-	-	(189,280)	(189,280)
Airport	1,141,553	682,530	-	2,820,935	-	2,361,912	2,361,912
Total Business-Type Activities	11,207,133	8,504,133	-	8,530,692	-	5,827,692	5,827,692
Total Primary Government	$ 20,324,660	$ 9,813,224	$ 454,273	$ 11,873,506	(4,011,349)	5,827,692	1,816,343
		GENERAL REVENUES					
		Property Taxes			2,465,359	-	2,465,359
		Local Option Gas Tax			304,465	-	304,465
		Discretionary Sales Surtax			1,083,113	-	1,083,113
		Public Service Taxes			833,122	-	833,122
		Communications Services Taxes			236,255	-	236,255
		Business License Taxes			58,276	-	58,276
		Franchise Fees			593,597	-	593,597
		Intergovernmental - Unrestricted			942,534	-	942,534
		Unrestricted Investment Earnings			91,211	36,099	127,310
		Miscellaneous			112,449	-	112,449
		Total General Revenues and Transfers			6,720,381	36,099	6,756,480
		CHANGE IN NET POSITION			2,709,032	5,863,791	8,572,823
		Net Position - Beginning of Year			16,547,055	39,600,302	56,147,357
		Restatement (See Note 14)			(175,657)	(79,551)	(255,208)
		Net Position - Beginning of Year, as Restated			16,371,398	39,520,751	55,892,149
		NET POSITION - END OF YEAR			$ 19,080,430	$ 45,384,542	$ 64,464,972

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
BALANCE SHEET — GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General	Capital Improvement	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 2,535,373	$ 913,418	$ 3,448,791
Accounts Receivable	442,050	462	442,512
Due from Other Governments	308,233	187,585	495,818
Due from Other Funds	969,696	-	969,696
Total Assets	$ 4,255,352	$ 1,101,465	$ 5,356,817
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 211,054	$ 141,166	$ 352,220
Accrued Liabilities	190,239	-	190,239
Due to Other Funds	11,267	-	11,267
Unearned Revenue	53,571	-	53,571
Total Liabilities	466,131	141,166	607,297
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Restitution	123,258	-	123,258
Total Deferred Inflows of Resources	123,258	-	123,258
FUND BALANCES			
Assigned for:			
Capital Projects	-	960,299	960,299
Unassigned	3,665,963	-	3,665,963
Total Fund Balances	3,665,963	960,299	4,626,262
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,255,352	$ 1,101,465	$ 5,356,817

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

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

Fund Balances - Total Governmental Funds	$ 4,626,262
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets	28,817,856
Less: Accumulated Depreciation/Amortization	(11,364,557)
Total	17,453,299
Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	123,258
Net pension liability is not due and payable in the current period and, therefore, the liabilities and the related deferred outflows and inflows of resources are not reported in the funds.	
Net Pension Liability	(1,564,920)
Deferred Outflows of Resources - Pension Related	786,872
Deferred Inflows of Resources - Pension Related	(494,802)
Total	(1,272,850)
Total other postemployment benefits (OPEB) liability is not due and payable in the current period and, therefore, the liabilities and related deferred outflows of resources are not reported in the funds.	
Total OPEB Liability	(1,365,359)
Deferred Outflows - OPEB	104,743
Total	(1,260,616)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Leases	(10,355)
SBITAs	(12,387)
Compensated Absences	(566,181)
Total	(588,923)
Net Position of Governmental Activities	$ 19,080,430

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	General	Capital Improvement	Total Governmental Funds
REVENUES			
Taxes	$ 3,897,477	$ 1,083,113	$ 4,980,590
Charges for Services	793,819	-	793,819
Permits, Fees, and Assessments	180,711	-	180,711
Intergovernmental	2,430,131	2,160,800	4,590,931
Fines and Forfeitures	106,943	-	106,943
Interest Income	89,307	1,904	91,211
Other Revenues	510,770	-	510,770
Total Revenues	8,009,158	3,245,817	11,254,975
EXPENDITURES			
Current:			
General Government	2,153,095	64,220	2,217,315
Public Safety	2,959,507	-	2,959,507
Physical Environment	169,970	-	169,970
Transportation	791,502	-	791,502
Culture and Recreation	1,547,209	-	1,547,209
Capital Outlay	1,171,570	3,728,889	4,900,459
Debt Service:			
Principal Retirement	14,850	-	14,850
Interest	1,640	-	1,640
Total Expenditures	8,809,343	3,793,109	12,602,452
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(800,185)	(547,292)	(1,347,477)
OTHER FINANCING SOURCES			
Insurance Recoveries	158,798	-	158,798
Total Other Financing Sources	158,798	-	158,798
NET CHANGE IN FUND BALANCES	(641,387)	(547,292)	(1,188,679)
Fund Balances - Beginning of Year	4,307,350	1,507,591	5,814,941
FUND BALANCES - END OF YEAR	$ 3,665,963	$ 960,299	$ 4,626,262

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

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

Net Change in Fund Balances - Total Governmental Funds	$ (1,188,679)
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/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period.	
Capital Outlay	4,965,171
Less: Current Year Depreciation/Amortization	(988,136)
Total	3,977,035
The net effect of transactions involving capital assets disposals.	(11,708)
Long-term liabilities are reported in the statement of net position but not in the governmental funds because they are not due and payable in the current period. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal Repayments - Leases	5,837
Principal Repayments - SBITAs	9,013
Total	14,850
Some revenues reported in the statement of activities will not be collected for several months after the fiscal year and, therefore, are not reported as revenue in the governmental funds.	
Change in Unavailable Revenue - Restitution	(2,885)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in Net Pension Liability/Asset and Related Pension Amounts	1,329
Change in Total OPEB Liability and Related OPEB Amounts	(24,245)
Change in Compensated Absences	(56,665)
Total	(79,581)
Change in Net Position of Governmental Activities	$ 2,709,032

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 316,322	$ 520,960	$ -	$ 837,282
Restricted Cash and Cash Equivalents:				
Customer Deposits	577,763	-	14,400	592,163
Accounts Receivable, Net of Allowances	716,330	139,519	13,276	869,125
Lease Receivables	-	-	6,762	6,762
Due from Other Governments	54,951	-	1,347,916	1,402,867
Due from Other Funds	3,182	-	9,678	12,860
Total Current Assets	1,668,548	660,479	1,392,032	3,721,059
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	10,766,672	-	2,546,664	13,313,336
Depreciable, Net of Accumulated Depreciation	39,459,899	782,675	6,928,652	47,171,226
Total Noncurrent Assets	50,226,571	782,675	9,475,316	60,484,562
Total Assets	51,895,119	1,443,154	10,867,348	64,205,621
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Items	182,700	69,715	-	252,415
OPEB Related Items	35,957	17,203	2,050	55,210
Total Deferred Outflows of Resources	218,657	86,918	2,050	307,625
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,412,838	30,836	947,862	2,391,536
Accrued Liabilities	58,829	19,109	3,682	81,620
Accrued Interest	15,553	61	-	15,614
Retainage Payable	326,749	-	67,382	394,131
Unearned Revenue	93,643	-	15,584	109,227
Line of Credit	1,285,000	-	-	1,285,000
Current Portion - Compensated Absences	61,905	31,366	1,188	94,459
Current Portion - Notes Payable, Financed Purchases	849,785	79,964	-	929,749
Current Portion - Total OPEB Liability	35,971	17,206	2,026	55,203
Due to Other Funds	102,535	88,129	780,625	971,289
Payable from Restricted Assets:				
Customer Deposits	577,763	-	14,400	592,163
Total Current Liabilities	4,820,571	266,671	1,832,749	6,919,991
Noncurrent Liabilities:				
Compensated Absences, Net of Current Portion	100,094	53,308	7,970	161,372
Notes Payable and Financed Purchases				
Net of Current Portion	11,182,755	-	-	11,182,755
Net Pension Liability	16,649	6,352	-	23,001
Total OPEB Liability, Net of Current Portion	432,880	207,037	24,357	664,274
Total Noncurrent Liabilities	11,732,378	266,697	32,327	12,031,402
Total Liabilities	16,552,949	533,368	1,865,076	18,951,393
DEFERRED INFLOWS OF RESOURCES				
Lease Related Items	-	-	6,191	6,191
Pension Related Items	123,857	47,263	-	171,120
Total Deferred Inflows of Resources	123,857	47,263	6,191	177,311
NET POSITION				
Net Investment in Capital Assets	35,661,333	702,711	8,461,139	44,825,183
Unrestricted (Deficit)	(224,363)	246,730	536,992	559,359
Total Net Position	$ 35,436,970	$ 949,441	$ 8,998,131	$ 45,384,542

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION — PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total
OPERATING REVENUES				
Charges for Services	$ 6,595,060	$ 1,218,336	$ 666,325	$ 8,479,721
Other Revenues	8,207	-	16,205	24,412
Total Operating Revenues	6,603,267	1,218,336	682,530	8,504,133
OPERATING EXPENSES				
Personal Services	2,130,677	759,000	108,533	2,998,210
Operating Expenses	4,167,206	559,612	599,558	5,326,376
Depreciation and Amortization	2,203,513	82,448	433,462	2,719,423
Total Operating Expenses	8,501,396	1,401,060	1,141,553	11,044,009
OPERATING INCOME (LOSS)	(1,898,129)	(182,724)	(459,023)	(2,539,876)
NONOPERATING INCOME (EXPENSES)				
Interest Income	29,562	4,910	1,627	36,099
Interest Expense	(220,315)	(6,556)	-	(226,871)
Insurance Recoveries	63,747	-	-	63,747
Total Nonoperating Income (Expenses)	(127,006)	(1,646)	1,627	(127,025)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(2,025,135)	(184,370)	(457,396)	(2,666,901)
Capital Grants and Contributions	5,709,757	-	2,820,935	8,530,692
CHANGE IN NET POSITION	3,684,622	(184,370)	2,363,539	5,863,791
Net Position - Beginning of Year	31,806,027	1,158,564	6,635,711	39,600,302
Restatement (See Note 14)	(53,679)	(24,753)	(1,119)	(79,551)
Net Position - Beginning of Year, as Restated	31,752,348	1,133,811	6,634,592	39,520,751
NET POSITION - END OF YEAR	$ 35,436,970	$ 949,441	$ 8,998,131	$ 45,384,542

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	$ 6,578,671	$ 1,212,480	$ 663,411	$ 8,454,562
Payments to Suppliers	(3,910,344)	(562,432)	(759,833)	(5,232,609)
Payments to Employees	(2,161,257)	(730,833)	(97,735)	(2,989,825)
Insurance Recoveries	63,747	-	-	63,747
Net Cash Provided (Used) by Operating Activities	570,817	(80,785)	(194,157)	295,875
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Received from (Paid for) Interfund Borrowing	(565,347)	-	232,678	(332,669)
Net Cash Provided (Used) by Noncapital Financing Activities	(565,347)	-	232,678	(332,669)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Grants and Contributions	7,866,458	-	1,923,355	9,789,813
Acquisition and Construction of Capital Assets	(8,242,734)	(215,875)	(1,979,026)	(10,437,635)
Proceeds from Notes Payable and Line of Credit	3,145,150	-	-	3,145,150
Principal Paid on Notes Payable and Financed Purchases	(2,243,701)	(75,730)	-	(2,319,431)
Receipts from Leasing Activities	-	-	16,352	16,352
Interest Paid	(221,555)	(6,613)	-	(228,168)
Net Cash Provided (Used) by Capital and Related Financing Activities	303,618	(298,218)	(39,319)	(33,919)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	29,562	4,910	998	35,470
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	338,650	(374,093)	200	(35,243)
Cash and Cash Equivalents - Beginning of Year	555,435	895,053	14,200	1,464,688
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 894,085	$ 520,960	$ 14,400	$ 1,429,445
CLASSIFIED AS:				
Cash and Cash Equivalents	$ 316,322	$ 520,960	$ -	$ 837,282
Restricted Cash and Cash Equivalents:				
Customer Deposits	577,763	-	14,400	592,163
Total	$ 894,085	$ 520,960	$ 14,400	$ 1,429,445

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (1,898,129)	$ (182,724)	$ (459,023)	$ (2,539,876)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	2,203,513	82,448	433,462	2,719,423
Insurance Recoveries	63,747	-	-	63,747
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(51,605)	(5,856)	(8,714)	(66,175)
(Increase) Decrease In Deferred Outflows - Pensions	5,203	(2,530)	-	2,673
(Increase) Decrease In Deferred Outflows - OPEB	(70)	(3,650)	(558)	(4,278)
Increase (Decrease) in Accounts Payable	256,862	(2,820)	(160,275)	93,767
Increase (Decrease) in Accrued Liabilities	8,982	794	542	10,318
Increase (Decrease) in Unearned Revenue	4,679	-	4,655	9,334
Increase (Decrease) in Compensated Absences	11,927	3,379	3,948	19,254
Increase (Decrease) in Customer Deposits	22,330	-	(200)	22,130
Increase (Decrease) in Net Pension Liability	(9,289)	(19,267)	-	(28,556)
Increase (Decrease) in Total OPEB Liability	(55,001)	43,723	6,866	(4,412)
Increase (Decrease) In Deferred Inflows - Pensions	7,668	5,718	-	13,386
Increase (Decrease) In Deferred Inflows - Lease	-	-	(14,860)	(14,860)
Net Cash Provided by Operating Activities	$ 570,817	$ (80,785)	$ (194,157)	$ 295,875
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Capital Related Accounts Payable	$ 602,132	$ -	$ 1,014,177	$ 1,616,309
Capital Related Financed Purchase	$ 3,145,150	$ -	$ -	$ 3,145,150

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION — FIDUCIARY FUNDS
SEPTEMBER 30, 2025

	Pension Trust Funds
ASSETS	
Cash	$ 53,596
Contributions Receivable	55,677
Interest and Dividends Receivable	19,322
Investments:	
Short-Term Investments	660,519
U.S. Government Obligations	1,124,935
Mortgage/Asset-Backed Securities	665,744
Corporate Bonds	416,444
Foreign Bonds	78,007
Mutual Funds - Equity	11,120,761
Mutual Funds - Fixed Income	347,166
Nonparticipating Interest-Earning Contract	3,296,049
Real Estate Fund	595,522
Total Investments	18,305,147
Total Assets	18,433,742
LIABILITIES	
Accounts Payable	10,674
NET POSITION	
Net Position Restricted for:	
Pension Benefits	$ 18,423,068

See accompanying Notes to Basic Financial Statements.

CITY OF ARCADIA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	$ 892,882
State of Florida	153,309
Plan Members	215,283
Total Contributions	1,261,474
Investment Income:	
Investment Earnings	1,777,334
Less: Investment Expenses	(59,576)
Net Investment Income	1,717,758
Total Additions	2,979,232
DEDUCTIONS	
Benefits	881,213
Administrative Expenses	148,695
Total Deductions	1,029,908
CHANGE IN NET POSITION	1,949,324
Net Position - Beginning of Year	16,473,744
NET POSITION - END OF YEAR	$ 18,423,068

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

The Financial Reporting Entity

The City began as a small ranching and farming settlement on the bluff overlooking the Peace River in 1883. The City was first chartered in 1886 and became the County Seat of DeSoto County in 1888. It was granted its present Charter in 1901, established under the 1901 Laws of Florida, Chapter 5080. It is located in Central Florida near the intersection of U.S. Highway 17 and State Road 70, and is comprised of approximately 4.1 square miles with a population of approximately 7,600. The City operates under an elected Council (five members rotate as Mayor), administrative/legislative form of government, and provides the following services as authorized by its charter: police, waste collection, parks and recreation, certain social services, and general administration. In addition, the City owns and operates a water system, sewer system, and airport.

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

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

Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fiduciary fund type:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Assets, Liabilities, and Net Position or Fund Balance

Deposits and Investments

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

In addition, 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 Funds Trust Fund investment pool (also known as Florida PRIME) administered by the Florida State Board of Administration and the Florida SAFE Investment Pool administered by PMA Financial Network, both of which are valued at amortized cost, which approximates fair value. Investments are held only in the pension trust funds and consist of debt and equity securities, immediate participation guarantee contracts (IPG), and short-term investments. Securities traded on a national or international exchange are valued at the last reported sales quote at current exchange rates. Investments that do not have an established market are reported at estimated fair value based on market indicators regarded as measures of equity or fixed income performance results. The estimated fair value of IPG investments are based on valuations provided by external investment managers. Management believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because the IPG investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions providing full insurance for public deposits. The City had deposits only with qualifying institutions as of September 30, 2025.

Receivables and Payables

Outstanding balances between funds are reported as “due to/from other funds.” 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.

Restricted Assets

Restricted assets include customer deposits being held for water and sewer utility accounts where the balance is maintained in a separate bank account.

Capital Assets

Capital assets, which include land, construction in process, building, improvements other than buildings, infrastructure, equipment, right-to-use lease assets, and SBITA assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Donated capital assets are recorded at estimated acquisition value at the date of donation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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

Buildings	15 to 40 Years
Water and Sewer Systems	15 to 40 Years
Public Domain Infrastructure	15 to 40 Years
Improvements	10 to 15 Years
Equipment	5 to 10 Years
Right-to-Use Leased Assets	Lease Term
Right-to-Use SBITA Assets	Subscription Term

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription-based information technology arrangements (SBITA) assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

The City has deferred inflows and deferred outflows related to the recording of changes in its net pension liability/asset. Certain changes in the net pension liability/asset 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/asset 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/asset are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period.

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

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

The City also has items which arise only under a modified accrual basis of accounting that qualify for reporting as deferred inflows of resources in the governmental funds balance sheet. The governmental funds report unavailable revenues for revenue collected after the period of availability. The amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

Finally, the statement of net position and the proprietary funds report a deferred inflow of resources related to leases.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Fund Equity

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Equity (Continued)

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

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

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

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

- Committed
- Assigned
- Unassigned

Accounting Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted for the General Fund, other major governmental funds, and enterprise funds on the modified accrual basis. All budgets presented are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that capital outlays, rather than depreciation expense, and the reduction of principal related to debt are treated as an expense in the year budgeted for the enterprise funds. Budgets are not prepared for the pension trust funds.

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

The appropriated budget is prepared by fund, function, and department. The Finance Director or City Administrator has the authority to approve interdepartmental transfers up to $15,000. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level for the General Fund, and the fund level for all other funds. The City Council retains the right to amend the budget as necessary throughout the course of the year.

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

NOTE 3 DEPOSITS AND INVESTMENTS

At September 30, 2025, the bank balances of the City's deposits totaled $3,542,989.

The following is a reconciliation of deposits and investments to amounts shown on the statement of net position and statement of fiduciary net position as of September 30, 2025:

Deposits	$	3,590,393
Cash on Hand		700
Investments		19,645,886
Total	$	23,236,979
Statement of Net Position:		
Cash and Cash Equivalents	$	4,286,073
Restricted Cash and Cash Equivalents		592,163
Statement of Fiduciary Net Position:		
Cash		53,596
Investments		18,305,147
Total	$	23,236,979

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.

Investments in Local Government Investment Pools

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, 2025, 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 18.20% of the Florida PRIME's portfolio at September 30, 2025.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in Local Government Investment Pools (Continued)

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

The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2025 was 47 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, 2025 was 73 days. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's. On September 30, 2025, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The 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, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in Local Government Investment Pools (Continued)

As of September 30, 2025, FL SAFE investment pool weighted average maturity in days was 38 days. Florida SAFE meets all of the necessary criteria to elect to measure all of the investments in Florida SAFE at amortized cost, which approximates fair value.

As of September 30, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

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, 2025:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U.S. Government Obligations	$ 1,124,935	$ -	$ 1,124,935	$ -
Mortgage/Asset-Backed Securities	665,744	-	665,744	-
Corporate Bonds	416,444	-	416,444	-
Foreign Bonds	78,007	-	78,007	-
Mutual Funds - Equity	11,120,761	11,120,761	-	-
Mutual Funds - Fixed Income	347,166	347,166	-	-
Total Investments Measured at Fair Value	13,753,057	$ 11,467,927	$ 2,285,130	$ -
Investments Measured at Net Asset Value (NAV):				
Real Estate Fund	595,522			
Total Investments Measured at NAV	595,522			
Investments Measured at Amortized Cost:				
Florida PRIME	540,099			
Florida SAFE	800,640			
Short-Term Investments	660,519			
Nonparticipating Interest-Earning Contract	3,296,049			
Total Investments Measured at Amortized Cost	5,297,307			
Total Investments	$ 19,645,886			

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value (Continued)

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Fund	$ 595,522	$ -	Quarterly	Daily

Real Estate Fund – The ARA Core Property Fund is a diversified open-end commingled fund invested in core real estate properties nationwide providing investors income durability and the potential for long-term appreciation. The American Core Realty Fund invests primarily in core, institutional quality industrial, residential, office, retail, and other properties located throughout the U.S. and is diversified by product type, geographic region, and economic exposure in order to mitigate investment risk.

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, 2025, the City had the following investments in debt securities and related maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Fiduciary:					
U.S. Government Obligations	$ 1,124,935	$ -	$ 588,680	$ 536,255	$ -
Mortgage/Asset-Backed Securities	665,744	-	-	5,605	660,139
Corporate Bonds	416,444	-	143,912	263,837	8,695
Foreign Bonds	78,007	-	20,093	57,914	-
Mutual Funds - Fixed Income	347,166	347,166	-	-	-
Total	$ 2,632,296	$ 347,166	$ 752,685	$ 863,611	$ 668,834

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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

Presented below is the actual rating as of September 30, 2025 for each type of investment in securities.

Investment Type	S&P/Moody's Rating	Fair Value
SBA Florida PRIME	AAAm	$ 540,099
PMA Florida SAFE	AAAm	800,640
Short-Term Investments	NR	660,519
U.S. Government Obligations	Aaa	1,124,935
Mortgage/Asset-Backed Securities	NR	665,744
Corporate Bonds	A1-Baa3	416,444
Foreign Bonds	Baa3	78,007
Mutual Funds - Equity	NR	11,120,761
Mutual Funds - Fixed Income	NR	347,166
Nonparticipating Interest-Earning Contract	NR	3,296,049
Real Estate Fund	NR	595,522
Total		$ 19,645,886

NR = Not Rated

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

Concentration of Credit Risk

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

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

Foreign Currency Risk

The City is not exposed to any foreign currency risk.

NOTE 4 RECEIVABLES

Receivables as of September 30, 2025, for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities		Business-Type Activities			
	General	Capital Improvement	Water and Sewer	Solid Waste	Airport	Total
Utility and Franchise Taxes	$ 187,743	$ -	$ -	$ -	$ -	$ 187,743
Restitution	123,258	-	-	-	-	123,258
Customer Charges	-	-	1,963,528	243,646	13,276	2,220,450
Miscellaneous	131,049	462	245	27,508	-	159,264
Gross Receivables	442,050	462	1,963,773	271,154	13,276	2,690,715
Allowance for Doubtful Accounts	-	-	(1,247,443)	(131,635)	-	(1,379,078)
Total	$ 442,050	$ 462	$ 716,330	$ 139,519	$ 13,276	$ 1,311,637

NOTE 5 LEASE RECEIVABLES

The City, acting as lessor, leases a building under a long-term, noncancelable lease agreement. The lease expires in 2026. During the year ended September 30, 2025, the City recognized $14,859 and $629 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases may provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Total future minimum lease payments to be received under lease agreements are as follows:

	Business-Type Activities	
Year Ending September 30,	Principal	Interest
2026	$ 6,762	$ 51
Total Minimum Lease Payments	$ 6,762	$ 51

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the governmental activities for the year ended September 30, 2025:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	$ 1,334,812	$ -	$ -	$ -	$ 1,334,812
Construction in Progress	1,973,584	4,241,191	-	(2,325,535)	3,889,240
Total Capital Assets, Not Being Depreciated	3,308,396	4,241,191	-	(2,325,535)	5,224,052
Capital Assets, Being Depreciated:					
Buildings	2,675,637	58,412	-	-	2,734,049
Improvements Other than Buildings	6,952,039	104,434	-	362,839	7,419,312
Infrastructure	7,529,583	79,553	-	1,962,696	9,571,832
Furniture, Fixtures, and Equipment	3,363,235	481,581	(31,931)	-	3,812,885
Total Capital Assets, Being Depreciated	20,520,494	723,980	(31,931)	2,325,535	23,538,078
Less: Accumulated Depreciation for:					
Buildings	(1,289,974)	(64,558)	-	-	(1,354,532)
Improvements Other than Buildings	(3,541,167)	(320,278)	-	-	(3,861,445)
Infrastructure	(3,391,647)	(332,822)	-	-	(3,724,469)
Furniture, Fixtures, and Equipment	(2,159,715)	(255,185)	20,223	-	(2,394,677)
Total Accumulated Depreciation	(10,382,503)	(972,843)	20,223	-	(11,335,123)
Total Capital Assets, Being Depreciated, Net	10,137,991	(248,863)	(11,708)	2,325,535	12,202,955
Right-to-Use Lease Assets:					
Equipment	22,397	-	-	-	22,397
Less: Accumulated Amortization:					
Equipment	(6,578)	(5,923)	-	-	(12,501)
Total Right-to-Use Lease Assets, Net	15,819	(5,923)	-	-	9,896
Subscription-Based Information Technology Arrangement Assets:					
Subscription-Based Information Technology Arrangements	33,329	-	-	-	33,329
Less: Accumulated Amortization:					
Subscription-Based Information Technology Arrangements	(7,563)	(9,370)	-	-	(16,933)
Total Subscription-Based Information Technology Assets, Net	25,766	(9,370)	-	-	16,396
Total Governmental Activities Capital Assets, Net	$ 13,487,972	$ 3,977,035	$ (11,708)	$ -	$ 17,453,299

NOTE 6 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:		
General Government	$	203,999
Public Safety		167,059
Physical Environment		4,699
Transportation		505,248
Culture and Recreation		107,131
Total Depreciation/Amortization Expense - Governmental Activities	$	988,136

The following is a summary of changes in capital assets for the business-type activities for the year ended September 30, 2025:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	$ 395,431	$ 184,783	$ -	$ -	$ 580,214
Construction in Progress	4,689,432	10,573,101	-	(2,529,411)	12,733,122
Total Capital Assets, Not Being Depreciated	5,084,863	10,757,884	-	(2,529,411)	13,313,336
Capital Assets, Being Depreciated:					
Buildings	19,291,691	13,228	-	2,127,758	21,432,677
Infrastructure and Improvements Other than Buildings	50,036,165	819,460	-	384,805	51,240,430
Furniture, Fixtures, and Equipment	10,957,146	416,465	(14,949)	16,848	11,375,510
Total Capital Assets, Being Depreciated	80,285,002	1,249,153	(14,949)	2,529,411	84,048,617
Less: Accumulated Depreciation:					
Buildings	(10,503,094)	(378,285)	-	-	(10,881,379)
Infrastructure and Improvements Other than Buildings	(17,176,087)	(1,769,477)	-	-	(18,945,564)
Furniture, Fixtures, and Equipment	(6,494,066)	(571,331)	14,949	-	(7,050,448)
Total Accumulated Depreciation	(34,173,247)	(2,719,093)	14,949	-	(36,877,391)
Total Capital Assets, Being Depreciated, Net	46,111,755	(1,469,940)	-	2,529,411	47,171,226
Subscription-Based Information Technology Arrangement Assets:					
Subscription-Based Information Technology Arrangements	2,635	-	(2,635)	-	-
Less: Accumulated Amortization:					
Subscription-Based Information Technology Arrangements	(2,305)	(330)	2,635	-	-
Total Subscription-Based Information Technology Arrangement Assets, Net	330	(330)	-	-	-
Total Business-Type Activities Capital Assets, Net	$ 51,196,948	$ 9,287,614	$ -	$ -	$ 60,484,562

NOTE 6 CAPITAL ASSETS (CONTINUED)

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

Business-Type Activities:	
Water and Sewer	$ 2,203,513
Solid Waste	82,448
Airport	433,462
Total Depreciation/Amortization Expense - Business-Type Activities	$ 2,719,423

NOTE 7 SHORT-TERM DEBT

Short-term debt activity for the business-type activities for the year ended September 30, 2025 consisted of the following:

	Beginning Balance	Issues	Redemptions	Ending Balance
Business-Type Activities:				
Direct Borrowings:				
Line of Credit	$ -	$ 2,785,000	$ (1,500,000)	$ 1,285,000

The City entered into a $2,000,000 revolving line of credit to finance capital improvements on August 8, 2025, with a final maturity date of August 7, 2026 with a commercial bank, with a variable interest based on one-month term SOFR plus 2.2% secured by non-ad valorem revenues.

NOTE 8 LONG-TERM LIABILITIES

Long-term liability activity for the governmental activities for the year ended September 30, 2025 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Leases	$ 16,192	$ -	$ (5,837)	$ 10,355	$ 4,540
SBITAs	21,400	-	(9,013)	12,387	9,619
Compensated Absences*	509,516	56,665	-	566,181	176,666
Total Governmental Activities Long-Term Liabilities	$ 547,108	$ 56,665	$ (14,850)	$ 588,923	$ 190,825

* Restated for the adoption of GASB 101, *Compensated Absences*

The change in compensated absences is reported as a net change.

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the business-type activities for the year ended September 30, 2025 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Direct Borrowings:					
State Revolving Fund Loans:					
DW140110	$ 3,311,224	$ -	$ (116,509)	$ 3,194,715	$ 119,902
WW140110	127,316	-	(9,099)	118,217	9,151
WW140111	3,378,791	-	(198,753)	3,180,038	198,752
WW140113	150,867	-	(8,874)	141,993	8,941
DW140130	227,878	-	(24,350)	203,528	24,663
DW140131	2,978,621	-	(8,351)	2,970,270	102,423
WW140140	1,435,824	-	(48,672)	1,387,152	48,670
DW140132	-	228,926	-	228,926	-
WW140170	-	131,224	-	131,224	-
Note Payable	601,787	-	(228,499)	373,288	234,094
Financed Purchases	359,477	-	(176,324)	183,153	183,153
Total Direct Borrowings	12,571,785	360,150	(819,431)	12,112,504	929,749
Compensated Absences*	236,576	19,255	-	255,831	94,459
Total Business-Type Activities Long-Term Liabilities	$ 12,808,361	$ 379,405	$ (819,431)	$ 12,368,335	$ 1,024,208

* Restated for the adoption of GASB 101, *Compensated Absences*

The change in compensated absences is reported as a net change.

The City's long-term liabilities for business-type activities at September 30, 2025 consisted of the following.

Description	Amount
Business-Type Activities	
Direct Borrowings	
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 $105,819 until all amounts due have been fully paid. Interest rates range from 2.5% to 3.06%. The principal and interest is secured by net revenues of the water and sewer system. There are no specific default provisions of this loan.	$ 3,194,715

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Description (Continued)

Business-Type Activities (Continued)

Direct Borrowings (Continued)

State Revolving Fund (SRF) loan issued in the amount of $180,888. Principal and interest is payable semiannually on March 15 and September 15 in the amount of $4,906 until all amounts due have been fully paid. Interest rate is 0.57%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.	$	118,217
State Revolving Fund (SRF) loan issued in the amount of $7,573,576. Principal forgiveness was $3,750,000 in 2022. Principal and interest will be payable in equal semi-annual installments of $99,376 until all amounts due have been fully paid with first repayment starting February 15, 2022, at an interest rate of 0.00%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.		3,180,038
State Revolving Fund (SRF) loan issued in the amount of $800,000. Principal forgiveness was $640,000 in 2022. Principal and interest will be payable in equal semi-annual installments of $4,531 until all amounts due have been fully paid with first repayment starting June 15, 2022, at an interest rate of 0.11%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.		141,993
State Revolving Fund (SRF) loan issued in the amount of $487,480. Principal forgiveness was $243,740. Principal and interest will be payable in equal semi-annual installments of $13,189 until all amounts due have been fully repaid with the first repayment starting February 15, 2024, and an interest rate is 0.87%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.		203,528
State Revolving Fund (SRF) loan issued in the amount of $4,703,646. Principal forgiveness was $1,725,025. Principal and interest will be payable in equal semi-annual installments of $66,797 until all amounts due have been fully repaid with the first repayment starting November 15, 2024, and an interest rate is 0.00%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.		2,970,270

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Description (Continued)	Amount
Business-Type Activities (Continued)	
Direct Borrowings (Continued)	
State Revolving Fund (SRF) loan issued in the amount of $5,228,689. Principal forgiveness was $1,460,160. Principal and interest will be payable in equal semi-annual installments of $24,336 until all amounts due have been fully repaid with the first repayment starting August 15, 2024, and an interest rate is 0.00%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.	$ 1,387,152
State Revolving Fund (SRF) loan issued in the amount of $2,289,260, of which $228,926 has been drawn as of September 30, 2025. Principal and interest will be payable in equal semi-annual installments of $23,158 until all amounts due have been fully repaid with the first repayment starting November 15, 2026, and an interest rate is 0.86%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.	228,926
State Revolving Fund (SRF) loan issued in the amount of $1,080,000, of which $131,224 has been drawn as of September 30, 2025. Principal and interest will be payable in equal semi-annual installments of $33,132 until all amounts due have been fully repaid with the first repayment starting October 15, 2027, and an interest rate is 0.20%. The principal and interest is secured by net revenues of the water and sewer system. In the event of default, the repayment schedules may be accelerated or the financing rate may be increased on the unpaid principal to as much as 1.667 times the financing rate.	131,224
Purchase agreement note issued in the amount of $2,134,470, bearing interest at 2.42%. Principal and interest is payable monthly in the amount of $20,046 until all amounts due have been fully paid. This note was issued to finance the cost of new water meters. In the event of default, all payments may become due and payable.	373,288
Financed purchases payable for a vac-con truck and front loader truck. Principal and interest is payable in annual installments of $105,851 beginning in August 2022 at 2.58% interest through August 2026 for the vac-con truck. Principal and interest is payable in monthly installments of $6,862 beginning in October 2023 at 5.45% interest through September 2026 for the front loader truck. In the event of default, repayment schedules may be accelerated, financing rate may be increased, and/or rights terminated.	183,153
Total Business-Type Activities	$ 12,112,504

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements for business-type activities as of September 30, 2025 are as follows:

	Business-Type Activities	
	Direct Borrowings	
Year Ending September 30,	Principal	Interest
2026	$ 2,214,749	$ 105,755
2027	697,600	95,798
2028	630,440	88,903
2029	635,056	83,858
2030	573,802	79,277
2031-2035	2,704,718	327,896
2036-2040	2,666,001	211,692
2041-2045	1,939,610	79,802
2046-2050	755,476	-
2051-2055	580,052	-
Total	$ 13,397,504	$ 1,072,981

For the current year, pledged revenues, net of operating expenses, related to the SRF loans were approximately $335,000. The total principal and interest paid for the current year were $414,608 and $203,294, respectively. Total principal and interest remaining to be paid is $12,616,127.

Lessee Arrangement

The City leases equipment under long-term, non-cancelable lease agreements. The leases expire at various dates through 2028 and provide for renewal options in various terms.

Total future minimum lease payments under lease agreements are as follows:

	Governmental Activities	
Year Ending September 30,	Principal	Interest
2026	4,540	372
2027	3,605	187
2028	2,210	25
Total Minimum Lease Payments	$ 10,355	$ 584

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Subscription-Based Information Technology Arrangements

The City has entered into SBITAs which expire at various dates through 2027 and provide for renewal options.

Total future minimum subscription payments under SBITA agreements are as follows.

	Governmental Activities	
Year Ending September 30,	Principal	Interest
2026	9,619	390
2027	2,768	102
Total Minimum Subscription Payments	$ 12,387	$ 492

NOTE 9 INSURANCE COVERAGE

The City is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City is a member of Preferred Governmental Insurance Trust (PGIT), a governmental insurance carrier. PGIT administers insurance activities related to property, general liability, public official's, employment practices, and workers' compensation. PGIT meets the GASB Statement No. 10 guidelines for governmental entity pools and provides audited financial statements annually. There were no significant changes in coverage retention or limits during the fiscal year. The General Fund handles property claims for the City and absorbs the loss for any amount below the deductible amounts.

The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

NOTE 10 INTERFUND RECEIVABLES AND PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2025 is as follows:

Receivable Funds	General	Water and Sewer	Solid Waste	Airport	Total
General Fund	$ -	$ 102,535	$ 88,129	$ 779,032	$ 969,696
Water and Sewer	1,589	-	-	1,593	3,182
Airport Fund (Nonmajor)	9,678	-	-	-	9,678
Total	$ 11,267	$ 102,535	$ 88,129	$ 780,625	$ 982,556

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 between funds are primarily to move unrestricted revenues collected in funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the fiscal year ended September 30, 2025, there were no transfers.

NOTE 11 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 amount receivable as of September 30, 2025 was $123,258. The City is confident that these funds will be recovered and has recorded a receivable for the full amount owed.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitment

At September 30, 2025, the City had the following commitments:

	Contract Amount	Completed to Date	Balance
Hazen & Sawyer, P.C.:			
SA#39 - Water System Improvements & Design Phase 1	$ 487,500	$ 487,481	$ 19
CSA#3 - Tech Services for WasteWater Coll Sys 2B	355,000	171,106	183,894
CSA#4 - Tech Services for Water System Phase 1B	355,000	180,663	174,337
CSA#7 - Regulatory Assistance	49,500	4,369	45,131
George F. Young:			
SA#21Y010002LC - Meetings	293,825	273,136	20,689
SA#14A-Roadway/Utility Design E 12th Phase 2	106,454	85,773	20,681
SA#14B-Utility Design E	23,280	23,230	50
SA#19 - Gibson St Recon from N Brevard to N Mill Proposal	107,113	97,519	9,594
SA#28A WWTP PDR Amend	39,500	25,057	14,443
SA#29 DEO SW Grant Pro	494,385	484,511	9,874
SA#30 Volusia & Maple Drainage Imp	44,060	43,560	500
SA#30A Volusia & Maple intersection imp	30,865	29,340	1,525
SA#35 Gibson St Ph2 Mills to Turner	82,185	69,880	12,305
SA#36 City of Arcadia WWTP	4,049,648	2,761,230	1,288,418
SA#38 Peace River Tributary Feasibility Study	148,920	103,730	45,190
SA#39 Arcadia Airport Water Main Extension	429,910	308,780	121,130
SA#45 McSwain Park Imp	12,945	12,710	235
SA#47 McSwain Park Improvements	46,905	33,900	13,005
SA#51 Phase 2B Sanitary Sewer	438,330	257,840	180,490
MLD Architects:			
Arcadia City Hall Phase II - Design	81,846	62,922	18,924
Arcadia Speer Center - Design	71,735	46,174	25,561
Hanson:			
Task Order #15 Obstruction Removal	103,518	102,903	615
Task Order #16 Hangar & Taxilane Construction	124,200	122,544	1,656
Task Order #17 Construction & RPR			
Terminal Apron Rehab & Expansion	153,153	110,270	42,883
Andrews Sitework:			
12th Ave Ph 1 & 2	3,429,661	3,389,387	40,274
IFB 2024-08 PH2B PG1B Sanitary/Water	11,813,615	5,201,337	6,612,278
A+ Environmental Restoration			
Airport Obstruction IFB 2024-10	317,689	257,444	60,245
Dickerson Infrastructure			
Airport Apron Rehab & Expansion	1,531,560	1,004,642	526,918
General Underground			
Airport Watermain Extension IFB 2025-02	1,057,980	343,005	714,975
Total	$ 26,280,282	$ 16,094,443	$ 10,185,839

NOTE 12 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.

	Police Officers' and Firefighters' Retirement System	Employees' Retirement System	Total
ASSETS			
Cash	$ -	$ 53,596	$ 53,596
Contributions Receivable	15,265	40,412	55,677
Interest and Dividends Receivable	19,322	-	19,322
Investments	11,910,398	6,394,749	18,305,147
Total Assets	11,944,985	6,488,757	18,433,742
LIABILITIES			
Accounts Payable	10,674	-	10,674
NET POSITION			
Net Position Restricted for Pension Benefits	$ 11,934,311	$ 6,488,757	$ 18,423,068

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

	Police Officers' and Firefighters' Retirement System	Employees' Retirement System	Total
ADDITIONS			
Contributions:			
Employer	$ 286,521	$ 606,361	$ 892,882
State of Florida	153,309	-	153,309
Plan Members	63,693	151,590	215,283
Total Contributions	503,523	757,951	1,261,474
Investment Income:			
Investment Earnings	1,339,708	437,626	1,777,334
Less: Investment Expenses	(40,088)	(19,488)	(59,576)
Net Investment Income	1,299,620	418,138	1,717,758
Total Additions	1,803,143	1,176,089	2,979,232
DEDUCTIONS			
Benefits	605,728	275,485	881,213
Administrative Expenses	56,936	91,759	148,695
Total Deductions	662,664	367,244	1,029,908
CHANGE IN NET POSITION	1,140,479	808,845	1,949,324
Net Position - Beginning of Year	10,793,832	5,679,912	16,473,744
NET POSITION - END OF YEAR	$ 11,934,311	$ 6,488,757	$ 18,423,068

Employees' Retirement Plan

Plan Description

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Plan Description (Continued)

As of the actuarial valuation date of January 1, 2025, membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	24
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	18
Active Plan Members	53
Total	95

The vesting schedule for General Employees (effective as of September 20, 2011, through December 31, 2024) is as follows:

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

Prior to September 20, 2011, and after January 1, 2025:

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Plan Description (Continued)

Since the Plan is in the form of a life annuity, there is no post-retirement cost of living increases. In addition, the Plan provides a pre-retirement death benefit for those who attain 50 years of age and 15 years of service. These benefit provisions and all other requirements are established by and may be amended by state statute and City ordinances.

Funding Policy

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

Net Pension Liability/Asset of the City

The measurement date for the City's net pension liability/asset is September 30, 2025. The total pension liability used to calculate the net pension liability/asset was determined as of that date. The components of the net pension liability/asset of the City at September 30, 2025 were as follows:

Total Pension Liability	$ 6,544,682
Plan Fiduciary Net Position	(6,488,757)
City's Net Pension Liability (Asset)	$ 55,925

Changes in net pension liability/asset were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance - September 30, 2024	$ 5,914,525	$ 5,679,912	$ 234,613
Changes for the Year:			
Service Cost	385,092	-	385,092
Interest	369,833	-	369,833
Change in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	186,061	-	186,061
Changes of Assumptions	(35,344)	-	(35,344)
Contributions - Employer	-	606,361	(606,361)
Contributions - Employee	-	151,590	(151,590)
Net Investment Income	-	418,138	(418,138)
Benefit Payments, Including Refunds of Employee Contributions	(275,485)	(275,485)	-
Administrative Expenses	-	(91,759)	91,759
Net Changes	630,157	808,845	(178,688)
Balance - September 30, 2025	$ 6,544,682	$ 6,488,757	$ 55,925

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 99.15%

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability/Asset of the City (Continued)

For the year ended September 30, 2025, the City recognized pension expense of $464,812 for the plan. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 613,718	$ -
Changes of Assumptions	-	218,951
Differences Between Expected and Actual Investment Earnings	-	197,088
Total	$ 613,718	$ 416,039

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

Year Ending September 30,	Amount
2026	$ 140,781
2027	(5,425)
2028	(10,046)
2029	43,924
2030	28,445
Total	$ 197,679

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

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2025, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2025, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.41%
Salary Increases	4.50
Investment Rate of Return	6.00

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability/Asset of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a modified building block method because being able to identify historical return premiums of asset classes in the context of varying market environments provides a reasonable basis to estimate the performance of asset classes going forward. 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, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity - Large Cap	20.00 %	5.74 %
U.S. Equity - Small/Mid Cap	15.00	6.78
Non-U.S. Equity - Developed	15.00	6.40
U.S. Corporate Bonds - Core	10.00	5.80
U.S. Treasuries (Aetna Guaranteed Inv. Acct.)	40.00	1.17
Total	100.00 %	

The Employees' Retirement Plan did not hold investments in any one organization that represents 5% or more of the fiduciary net position.

For the year ended September 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amount actually invested.

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement Plan (Continued)

Net Pension Liability/Asset of the City (Continued)

Sensitivity of the net pension liability/asset 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 one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
City's Net Pension Liability (Asset)	$ 797,209	$ 55,925	$ (724,951)

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, 2025, and the current sharing pattern of costs between employer and employee.

Actuarial methods and assumptions used in the January 1, 2025 actuarial valuation report are as follows:

Actuarial Valuation Date	January 1, 2025
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Retirement Age	Normal Retirement Age, Age 65
Mortality	PubG-2010(B) Generational Table, Amounts Weighted, with Projections by Scale MP-2021

Police Officers' and Firefighters' Retirement System Plan

Plan Description

The Police Officers' and Firefighters' Retirement System of the City of Arcadia (the Plan) is a single-employer contributory defined benefit plan administered by the City covering all police officers and former firefighters of the City. The System does not issue a stand-alone financial report but is included in the pension trust funds of the City's financial statements.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Plan Description (Continued)

At September 30, 2025, membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	24
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	4
Active Plan Members	17
Total	45

Benefits

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

Retirement:

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

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

Disability:

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

Nonservice incurred with 10 years of credited service — Benefit accrued to date of disability but not less than 42% of average final compensation, payable for life (with 120 payments guaranteed) or until recovery (as determined by the board).

Death:

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Benefits (Continued)

Deferred Retirement Option Plan (DROP):

Any member who is eligible for normal retirement under the Plan may elect to defer receipt of such service retirement pension by participating in the DROP, while continuing their employment with the City for a period not to exceed 60 months. The amount of the benefit under the DROP is the same as the participant would have received under the Plan had he or she terminated his or her employment and elected to receive monthly benefit payments. Under the DROP, amounts representing the participant's monthly benefits are maintained within the Plan, earning a 6.5% annual rate of return or actual net rate of return earned by the Plan at the member'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, 2025 is $611,655.

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 5% 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, 2025 was 30.30% 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, 2025 were $153,309.

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.

NOTE 12 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, 2024. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at the measurement date were as follows:

Total Pension Liability	$ 12,325,828
Plan Fiduciary Net Position	(10,793,832)
City's Net Pension Liability	$ 1,531,996

Changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - September 30, 2023	$ 11,722,713	$ 9,246,267	$ 2,476,446
Changes for the Year:			
Service Cost	201,741	-	(201,741)
Interest	753,989	-	(753,989)
Change in Benefit Terms	-	-	-
Changes in Experience	296,625	-	(296,625)
Changes of Assumptions	-	-	-
Contributions - Employer	-	220,761	220,761
Contributions - State	-	140,941	140,941
Contributions - Employee	-	49,445	49,445
Net Investment Income	-	1,833,861	1,833,861
Benefit Payments, Including Refunds of Employee Contributions	(649,240)	(649,240)	-
Administrative Expenses	-	(48,203)	48,203
Net Changes	603,115	1,547,565	(944,450)
Balance - September 30, 2024	$ 12,325,828	$ 10,793,832	$ 1,531,996

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.57%

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Net Pension Liability of the City (Continued)

For the year ended September 30, 2025, the City recognized pension expense of $82,001 for the plan. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 148,313	$ -
Changes of Assumptions	-	-
Differences Between Expected and Actual Investment Earnings	-	249,883
City Pension Plan Contributions Subsequent to the Measurement Date	277,256	-
Total	$ 425,569	$ 249,883

The deferred outflows of resources related to the Pension Plan, totaling $277,256 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to the Plan will be recognized in pension expense as follows:

Year Ending September 30,	Amount
2026	$ 152,722
2027	268,470
2028	(274,232)
2029	(248,530)
Total	$ (101,570)

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, 2023, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2024, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Service Based
Investment Rate of Return	6.50

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024 are summarized in the following table:

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

The Plan did not hold investments in any one organization that represent 5% or more of the fiduciary net position.

For the measurement date September 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amount actually invested.

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 6.50%, which was no change from the rate used in the prior measurement period.

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.

NOTE 12 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 one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's Net Pension Liability as of the Measurement Date	$ 2,924,324	$ 1,531,996	$ 361,339

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, 2025 and the current sharing pattern of costs between employer and employee.

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

The components of the net pension liability of the City as it pertains to the Plan at September 30, 2025 were as follows:

Total Pension Liability	$ 13,152,011
Plan Fiduciary Net Position	(11,934,311)
City's Net Pension Liability	$ 1,217,700
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.74%

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

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2024, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2025, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Service Based
Investment Rate of Return	6.50

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

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

The actuarial assumptions used in the October 1, 2024 valuation were based on the results of an actuarial experience study used to review the other significant assumptions; the study was dated July 15, 2020.

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, 2025 are summarized in the following table:

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

As of September 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 12.13%.

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 6.50%. There were no changes to the discount rate.

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.

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

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 one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's Net Pension Liability on the Plan's Fiscal Year-End	$ 2,710,589	$ 1,217,700	$ (4,689)

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, 2025, and the current sharing pattern of costs between employer and employee.

Summary

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

Description	Police Officers' and Firefighters' Retirement System	Employees' Retirement System	Total
Net Pension Liability	$ 1,531,996	$ 55,925	$ 1,587,921
Deferred Outflows of Resources Related to Pensions	425,569	613,718	1,039,287
Deferred Inflows of Resources Related to Pensions	249,883	416,039	665,922
Pension Expense	82,001	464,812	546,813

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Benefits Provided

The City provides health insurance benefits and health stipends (if applicable) to its eligible retired employees through a single-employer plan administered by the City. Eligible former employees who retire from the City and eligible dependents may continue to participate in the City's fully insured benefit plan for medical and prescription drug coverage. If hired prior to September 12, 2006, the City pays 95% of the cost on behalf of the retiree only. If hired on or after September 12, 2006, the retiree is required to pay 100% of the premium cost. Upon obtaining eligibility for Medicare, the City will discontinue the premium subsidy, and retirees will have to discontinue the coverage under the City Plan. Retired employees hired prior to September 12, 2006 are eligible to receive a lifetime stipend of $225 per month upon attaining eligibility for Medicare. No form of direct subsidy will be provided to employee hired on or after September 12, 2006.

Employees Covered by Benefit Terms

At September 30, 2025, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	24
Active Plan Members	66
Total	90

Total OPEB Liability

The City's Total OPEB liability was determined by an actuarial valuation as of September 30, 2023, using the alternative measurement method, and a measurement date of September 30, 2024, with results applicable to the fiscal year ended September 30, 2025. There were less than 100 employees being provided OPEB benefits as of the beginning of the measurement date. The following table shows the City's total OPEB liability for the year ended September 30, 2025.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability(Continued)

	Total OPEB Liability
Balances - October 1, 2023	$ 2,014,918
Changes for the Year:	
Service Cost	7,446
Interest	90,133
Changes in Assumptions	123,631
Benefit Payments	(151,292)
Net Changes	69,918
Balances - September 30, 2024	$ 2,084,836

Discount Rate Sensitivity

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

Description	1 % Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB Plan Discount Rate	2.81 %	3.81 %	4.81 %
Total OPEB Liability	$ 2,251,708	$ 2,084,836	$ 1,935,571

Healthcare Trend Rate Sensitivity

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

Description	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB Plan Healthcare Cost Rate	5.25 %	6.25 %	7.25 %
Total OPEB Liability	$ 1,994,529	$ 2,084,836	$ 2,184,558

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

For the year ended September 30, 2025, the City recognized an OPEB expense of $69,918. At September 30, 2025, the City reported deferred outflows of resources related to OPEB totaling $159,953 from employer contributions subsequent to the measurement date. This deferred outflow of resources will be recognized as a reduction of the net OPEB liability in the fiscal year ended September 30, 2026.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the September 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	5.00%
Healthcare Cost Trend Rates	6.25% for FY beginning 2025, and then gradually decreasing to an ultimate trend rate of 4.00%.

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

Mortality rates were based on the tables used in the July 1, 2023 actuarial valuation of the Florida Retirement System for non-K-12 Instructional Regular Class members. These rates were taken from adjusted PUB-2010 mortality tables published by the Society of Actuaries with generational mortality improvements using Scale MP-2018. Adjustments to referenced tables are based on the results of a statewide experience study covering the period 2013 through 2018.

The discount rate used to measure the total OPEB liability 3.81%, based on the daily rate of Fidelity's "20-Year Municipal GO AA Index" closest to but not later than the measurement date.

Since the most recent GASB 75 valuation, the following change has been made:

- The discount rate was changed from 4.63% as of the previous measurement date to 3.81% as of September 30, 2025.

NOTE 14 CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. As a result of the implementation of this standard, the compensated absences liability as of October 1, 2024 was restated by $175,657 in the governmental activities and $79,551 in the business-type activities.

NOTE 14 CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

The effect of the implementation of this standard is shown in the table below.

	October 1, 2024, As Previously Reported	Change in Accounting Principle	October 1, 2024, As Adjusted or Restated
Government-Wide:			
Governmental Activities	$ 16,547,055	$ (175,657)	$ 16,371,398
Business-Type Activities	39,600,302	(79,551)	39,520,751
Total Primary Government	$ 56,147,357	$ (255,208)	$ 55,892,149
Proprietary Funds:			
Water and Sewer	$ 31,806,027	$ (53,679)	$ 31,752,348
Solid Waste	1,158,564	(24,753)	1,133,811
Airport	6,635,711	(1,119)	6,634,592
Total Proprietary Funds	$ 39,600,302	$ (79,551)	$ 39,520,751

NOTE 15 STATE REVOLVING FUND LOANS AND COVENANT COMPLIANCE

The City's State Revolving Fund (SRF) loans with the Florida Department of Environmental Protection (DEP) are secured by a pledge of the net revenues of the Water and Sewer Fund. Under the related loan agreements, the City is required to establish user rates and charges sufficient to generate net revenues (operating revenues less operating expenses, excluding depreciation) of at least 1.15 times the annual debt service requirements on the loans.

For the year ended September 30, 2025, the City's net revenues provided debt service coverage of 0.54 times annual debt service, and therefore the City was not in compliance with the rate covenant. The shortfall in coverage was primarily due to increasing operating expenses in the Water and Sewer departments, rising chemical costs, and operational challenges associated with the City's aging wastewater treatment plant infrastructure.

Under the loan agreements, failure to maintain the required coverage ratio constitutes an event of noncompliance. Per communication with DEP, noncompliance with the rate covenant would not result in the halting of existing loans or projects currently underway. Rather, DEP would issue a compliance letter outlining the steps needed to return to compliance. During the period of noncompliance, the City would be unable to apply for new SRF loans until compliance is restored; however, grant applications would not be affected.

NOTE 15 STATE REVOLVING FUND LOANS AND COVENANT COMPLIANCE (CONTINUED)

The City is currently conducting a comprehensive Water and Sewer rate study, the results of which will be presented to the City Council for consideration of potential rate increases. Management believes that the implementation of the rate study recommendations, combined with ongoing efforts to manage operating costs, will restore compliance with the required coverage ratio for the year ending September 30, 2027.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL -- GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 3,722,101	$ 3,970,079	$ 3,897,477	$ (72,602)
Charges for Services	729,019	793,349	793,819	470
Permits, Fees, and Assessments	797,000	885,103	180,711	(704,392)
Intergovernmental	3,256,269	2,326,044	2,430,131	104,087
Fines and Forfeitures	87,911	110,856	106,943	(3,913)
Interest Revenue	100,000	86,717	89,307	2,590
Other Revenues	407,835	513,277	510,770	(2,507)
Total Revenues	9,100,135	8,685,425	8,009,158	(676,267)
EXPENDITURES				
General Government:				
Legislative	115,786	125,500	125,258	242
Executive	782,176	669,026	638,097	30,929
Financial and Administrative	295,603	288,563	286,809	1,754
Legal	66,117	70,917	70,651	266
Comprehensive Planning	106,452	97,152	95,141	2,011
Code Enforcement	244,402	247,514	244,132	3,382
Other Governmental Services	785,138	702,726	693,007	9,719
Total General Government	2,395,674	2,201,398	2,153,095	48,303
Public Safety:				
Law Enforcement	2,744,719	2,711,958	2,684,881	27,077
Fire Control	419,361	444,250	182,928	261,322
School Crossing Guard	38,861	37,231	35,366	1,865
Disaster Assistance	-	57,000	56,332	668
Total Public Safety	3,202,941	3,250,439	2,959,507	290,932
Physical Environment:				
Cemetery	179,591	152,091	146,510	5,581
Stormwater	190,473	140,473	23,460	117,013
Total Physical Environment	370,064	292,564	169,970	122,594
Transportation:				
Garage	112,828	87,628	80,166	7,462
Roads and Streets	586,768	520,643	510,571	10,072
Traffic Control	276,246	213,218	200,765	12,453
Total Transportation	975,842	821,489	791,502	29,987
Culture and Recreation:				
Golf Course	1,003,587	933,837	919,541	14,296
Parks	435,847	482,642	476,673	5,969
Mobile Home Park	176,112	156,912	150,995	5,917
Total Culture and Recreation	1,615,546	1,573,391	1,547,209	26,182
Capital Outlay	1,083,499	1,108,399	1,171,570	(63,171)
Debt Service:				
Principal Retirement	-	-	14,850	(14,850)
Interest	-	-	1,640	(1,640)
Total Debt Service	-	-	16,490	(16,490)
Total Expenditures	9,643,566	9,247,680	8,809,343	438,337
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(543,431)	(562,255)	(800,185)	(237,930)

See accompanying Note to Required Supplementary Information.

CITY OF ARCADIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	-	152,062	158,798	6,736
NET CHANGE IN FUND BALANCE	(543,431)	(410,193)	(641,387)	(231,194)
Fund Balance - Beginning of Year	4,307,350	4,307,350	4,307,350	-
FUND BALANCE - END OF YEAR	$ 3,763,919	$ 3,897,157	$ 3,665,963	$ (231,194)

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.

A budget was not prepared or adopted for the disaster assistance activities, reported under Public Safety and Capital Outlay, which are a sub-fund within the General Fund. As such, for General Fund budgetary compliance purposes, those disaster assistance activities are not included.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY										
Service Cost	$ 385,092	$ 221,810	$ 167,111	$ 169,319	$ 169,654	$ 151,054	$ 121,843	$ 113,910	$ 108,246	$ 52,713
Interest on Total Pension Liability	369,833	311,531	281,304	266,121	251,074	243,451	248,638	234,495	219,943	205,389
Change in Benefit Terms	-	319,813	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	186,061	480,122	229,496	57,908	64,820	33,267	(200,365)	48,135	76,991	(18,274)
Changes of Assumptions	(35,344)	(277,339)	-	-	-	(101,851)	229,002	-	-	111,019
Benefit Payments, Including Refunds of Employee Contributions	(275,485)	(220,370)	(237,039)	(239,088)	(229,923)	(205,373)	(186,699)	(187,080)	(186,860)	(178,227)
Net Change in Total Pension Liability	630,157	835,567	440,872	254,260	255,625	120,548	212,419	209,460	218,320	172,620
Total Pension Liability - Beginning of Year	5,914,525	5,078,958	4,638,086	4,383,826	4,128,201	4,007,653	3,795,234	3,585,774	3,367,454	3,194,834
Total Pension Liability - End of Year	$ 6,544,682	$ 5,914,525	$ 5,078,958	$ 4,638,086	$ 4,383,826	$ 4,128,201	$ 4,007,653	$ 3,795,234	$ 3,585,774	$ 3,367,454
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	$ 606,361	$ 501,537	$ 438,069	$ 363,106	$ 427,447	$ 394,153	$ 350,254	$ 336,153	$ 267,632	$ 226,870
Contributions - Employee	151,590	125,384	109,558	78,234	75,735	61,881	65,972	53,575	49,297	50,387
Net Investment Income	418,138	805,637	259,682	(840,165)	667,785	379,703	264,029	60,618	143,978	154,439
Benefit Payments, Including Refunds of Member Contributions	(275,485)	(220,370)	(237,039)	(239,088)	(229,923)	(205,373)	(186,699)	(187,080)	(186,860)	(178,227)
Administrative Expenses	(91,759)	(92,147)	(65,897)	(72,486)	(46,040)	(54,420)	(57,207)	(54,848)	(66,045)	(55,661)
Net Change in Plan Fiduciary Net Position	808,845	1,120,041	504,373	(710,399)	895,004	575,944	436,349	208,418	208,002	197,808
Plan Fiduciary Net Position - Beginning of Year	5,679,912	4,559,871	4,055,498	4,765,897	3,870,893	3,294,949	2,858,600	2,650,182	2,442,180	2,244,372
Plan Fiduciary Net Position - End of Year	$ 6,488,757	$ 5,679,912	$ 4,559,871	$ 4,055,498	$ 4,765,897	$ 3,870,893	$ 3,294,949	$ 2,858,600	$ 2,650,182	$ 2,442,180
City's Net Pension Liability (Asset)	$ 55,925	$ 234,613	$ 519,087	$ 582,588	$ (382,071)	$ 257,308	$ 712,704	$ 936,634	$ 935,592	$ 925,274
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.15%	96.03%	89.78%	87.44%	108.72%	93.77%	82.22%	75.32%	73.91%	72.52%
Covered Payroll	$ 2,361,691	$ 2,259,487	$ 1,814,634	$ 1,328,613	$ 1,339,172	$ 1,268,533	$ 1,108,011	$ 1,066,573	$ 944,307	$ 952,475
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	2.37%	10.38%	28.61%	43.85%	(28.53%)	20.28%	64.32%	87.82%	99.08%	97.14%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	$ 393,056	$ 378,184	$ 320,747	$ 226,949	$ 255,325	$ 288,892	$ 304,500	$ 278,415	$ 267,630	$ 226,870
Contributions in Relation to the Actuarially Determined Contribution	606,361	493,353	438,069	363,106	427,447	394,153	323,679	336,153	267,632	226,870
Contribution Deficiency (Excess)	$ (213,305)	$ (115,169)	$ (117,322)	$ (136,157)	$ (172,122)	$ (105,261)	$ (19,179)	$ (57,738)	$ (2)	$ -
Covered Payroll	$ 2,361,691	$ 2,259,487	$ 1,814,634	$ 1,328,613	$ 1,339,172	$ 1,268,533	$ 1,108,011	$ 1,066,573	$ 944,307	$ 952,475
Contributions as a Percentage of Covered Payroll	25.67%	21.83%	24.14%	27.33%	31.92%	31.07%	29.21%	31.52%	28.34%	23.82%

NOTES:

Valuation Date January 1, 2025

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 (nine months) and 25% of the prior plan year (three months).

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age Normal, Level Percentage of Pay
Amortization Method:	No remaining UAL as of 1/1/2022; future amortization bases created according to funding policy
Remaining Amortization Period:	N/A
Asset Valuation Method:	Book Value
Salary Increases:	4.50%
Investment Rate of Return:	6.00%
Retirement Age:	50% at Earliest Unreduced Retirement Age less than 65; Remainder at Age 65
Inflation:	2.41% per Year
Mortality:	PubG-2010(B) Generational Table, Amounts Weighted, with Projections by Scale MP-2021

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

Reporting Period Ending	2025	2024	2023	2022	2021
Annual Money-Weighted Rate of Return Net of Investment Expenses	7.25%	13.43%	9.09%	(8.82%)	17.14%

Reporting Period Ending	2020	2019	2018	2017	2016
Annual Money-Weighted Rate of Return Net of Investment Expenses	4.60%	3.91%	4.24%	6.13%	5.16%

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

Plan Reporting Period Ended	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Employer Measurement Date	9/30/2026	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
TOTAL PENSION LIABILITY										
Service Cost	$ 197,890	$ 201,741	$ 162,138	$ 172,261	$ 157,572	$ 184,309	$ 164,914	$ 144,270	$ 118,714	$ 124,084
Interest on Total Pension Liability	794,356	753,989	766,033	790,032	757,584	784,690	804,169	831,024	816,370	805,108
Changes in Benefit Terms	21,565	-	-	(745)	(653)	-	-	-	-	-
Differences Between Expected and Actual Experience	76,408	296,625	(3,667)	(192,850)	329,230	(8,334)	(37,475)	(186,644)	(239,400)	(367,052)
Changes of Assumptions	341,692	-	-	-	300,321	449,973	98,469	96,277	99,936	242,339
Benefit Payments, Including Refunds of Employee Contributions	(605,728)	(649,240)	(1,649,563)	(607,498)	(648,073)	(596,541)	(1,739,690)	(494,135)	(495,752)	(552,372)
Net Change in Total Pension Liability	826,183	603,115	(725,059)	161,200	895,981	814,097	(709,613)	390,792	299,868	252,107
Total Pension Liability - Beginning of Year	12,325,828	11,722,713	12,447,772	12,286,572	11,390,591	10,576,494	11,286,107	10,895,315	10,595,447	10,343,340
Total Pension Liability - End of Year	$ 13,152,011	$ 12,325,828	$ 11,722,713	$ 12,447,772	$ 12,286,572	$ 11,390,591	$ 10,576,494	$ 11,286,107	$ 10,895,315	$ 10,595,447
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	$ 286,521	$ 220,761	$ 200,424	$ 192,441	$ 188,921	$ 299,665	$ 327,876	$ 303,985	$ 235,123	$ 309,290
Contributions - State	153,309	140,941	129,501	104,543	93,209	96,761	93,626	94,361	90,534	95,602
Contributions - Employee	63,693	49,445	51,395	61,951	80,406	73,354	79,206	73,666	62,742	55,177
Net Investment Income	1,299,620	1,833,861	724,568	(1,939,087)	2,010,861	839,814	361,856	671,819	1,089,931	552,032
Benefit Payments, Including Refunds of Member Contributions	(605,728)	(649,240)	(1,650,986)	(607,498)	(660,629)	(596,670)	(1,740,077)	(493,748)	(497,056)	(552,372)
Administrative Expenses	(56,936)	(48,203)	(47,764)	(48,203)	(42,349)	(52,916)	(44,961)	(47,591)	(38,325)	(35,465)
Net Change in Plan Fiduciary Net Position	1,140,479	1,547,565	(592,862)	(2,235,853)	1,670,419	660,008	(922,474)	602,492	942,949	424,264
Plan Fiduciary Net Position - Beginning of Year	10,793,832	9,246,267	9,839,129	12,074,982	10,404,563	9,744,555	10,667,029	10,064,537	9,121,588	8,697,324
Plan Fiduciary Net Position - End of Year	$ 11,934,311	$ 10,793,832	$ 9,246,267	$ 9,839,129	$ 12,074,982	$ 10,404,563	$ 9,744,555	$ 10,667,029	$ 10,064,537	$ 9,121,588
City’s Net Pension Liability	$ 1,217,700	$ 1,531,996	$ 2,476,446	$ 2,608,643	$ 211,590	$ 986,028	$ 831,939	$ 619,078	$ 830,778	$ 1,473,859
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.74%	87.57%	78.87%	79.04%	98.28%	91.34%	92.13%	94.51%	92.37%	86.09%
Covered Payroll	$ 1,232,838	$ 1,029,682	$ 1,000,186	$ 805,246	$ 778,501	$ 793,311	$ 825,064	$ 752,655	$ 653,565	$ 574,759
City’s Net Pension Liability as a Percentage of Covered Payroll	98.77%	148.78%	247.60%	323.96%	27.18%	124.29%	100.83%	82.25%	127.11%	256.43%

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

Reporting Period Ending	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Actuarially Determined Contribution	$ 423,603	$ 355,137	$ 309,658	$ 278,938	$ 272,164	$ 351,516	$ 421,608	$ 450,615	$ 371,814	$ 403,079	$ 344,295
Contributions in Relation to the Actuarially Determined Contribution	439,830	361,702	329,925	296,984	282,130	396,426	421,608	398,346	325,658	404,892	344,295
Contribution Deficiency (Excess)	$ (16,227)	$ (6,565)	$ (20,267)	$ (18,046)	$ (9,966)	$ (44,910)	$ -	$ 52,269	$ 46,156	$ (1,813)	$ -
Covered Payroll	$ 1,232,838	$ 1,029,682	$ 1,000,186	$ 805,246	$ 778,501	$ 793,311	$ 825,064	$ 752,655	$ 653,565	$ 574,759	$ 748,459
Contributions as a Percentage of Covered Payroll	35.68%	35.13%	32.99%	36.88%	36.24%	49.97%	51.10%	52.93%	49.83%	70.45%	46.00%

CITY OF ARCADIA, FLORIDA
SCHEDULE OF CONTRIBUTIONS —
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM (CONTINUED)
LAST TEN FISCAL YEARS

NOTES:

Valuation Date: October 1, 2023

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

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method

Amortization Method: New UAAL amortization bases are amortized over 15 years.

Remaining Amortization Period: 30 Years

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

Inflation: 2.5% per Year

Salary Increases:

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

Interest Rate: 6.50% per Year, Compounded Annually, Net of Investment-Related Expenses

Payroll Growth: None

Retirement Age:

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

Early Retirement: Members are not assumed to retire early.

Notes to Schedule:

Changes of benefit terms:
For measurement date 09/30/2022, a reduction in the Member Contribution Rate from 7.60% to 5.00%. Effective October 1, 2022.

For measurement date 09/30/2021, each member of the system shall be required to make regular contributions to the fund in the amount of 7.6% of his salary. Previously, 9.6% contributions were required.

Changes of assumptions:
For measurement date 09/30/2021, the investment return assumption was lowered from 6.75% to 6.50% per year compounded annually, net of investment related expenses.

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

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

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

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

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

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

Reporting Period Ending	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Annual Money-Weighted Rate of Return Net of Investment Expenses	12.13%	20.47%	8.10%	(16.37%)	19.67%

Reporting Period Ending	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Annual Money-Weighted Rate of Return Net of Investment Expenses	8.73%	3.49%	6.77%	11.99%	6.56%

CITY OF ARCADIA, FLORIDA
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

Employer Measurement Date	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service Cost	$ 7,446	$ 11,361	$ 21,482	$ 29,015	$ 25,334	$ 31,896	$ 33,378	$ 35,669
Interest	90,133	78,471	49,009	46,259	53,066	66,444	65,089	62,011
Difference Between Expected and Actual Experience	-	227,699	-	276,156	-	209,558	-	-
Changes of Assumptions	123,631	(5,248)	(382,067)	115,806	49,230	50,440	(42,741)	(58,551)
Benefit Payments	(151,292)	(138,861)	(126,560)	(156,103)	(126,964)	(186,885)	(171,312)	(183,719)
Net Change in Total OPEB Liability	69,918	173,422	(438,136)	311,133	666	171,453	(115,586)	(144,590)
Total OPEB Liability - Beginning	2,014,918	1,841,496	2,279,632	1,968,499	1,967,833	1,796,380	1,911,966	2,056,556
Total OPEB Liability - Ending	$ 2,084,836	$ 2,014,918	$ 1,841,496	$ 2,279,632	$ 1,968,499	$ 1,967,833	$ 1,796,380	$ 1,911,966
Covered Employee Payroll	$ 3,544,837	$ 2,937,541	$ 2,620,771	$ 2,464,238	$ 3,133,076	$ 2,960,663	$ 2,224,201	$ 2,378,033
Total OPEB Liability as a Percentage of the Covered Employee Payroll	58.81 %	68.59 %	70.27 %	92.51 %	62.83 %	66.47 %	80.77 %	80.40 %

Notes to Schedule:
The OPEB plan is not administered through a trust, and there are no assets accumulated in trust for payment of benefits.
Benefit changes: There were no benefit changes.
Changes of assumptions and other inputs:
For measurement date September 30, 2024:
- Discount rate changed to 3.81% (from 4.63%)

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ARCADIA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 1,074,024	$ 1,074,024	$ 1,083,113	$ 9,089
Intergovernmental	5,904,553	2,160,800	2,160,800	-
Interest Revenue	-	-	1,904	1,904
Miscellaneous	500,000	-	-	-
Total Revenues	7,478,577	3,234,824	3,245,817	10,993
EXPENDITURES				
General Government	210,583	147,651	64,220	83,431
Capital Outlay	8,591,531	3,677,595	3,728,889	(51,294)
Total Expenditures	8,802,114	3,825,246	3,793,109	32,137
NET CHANGE IN FUND BALANCE	(1,323,537)	(590,422)	(547,292)	43,130
Fund Balance - Beginning of Year	1,507,591	1,507,591	1,507,591	-
FUND BALANCE - END OF YEAR	$ 184,054	$ 917,169	$ 960,299	$ 43,130

Fiduciary funds are used to account for the activities of funds held in custodial 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, 2025

	Police Officers' and Firefighters' Retirement System	Employees' Retirement Plan	Total
ASSETS			
Cash	$ -	$ 53,596	$ 53,596
Contributions Receivable	15,265	40,412	55,677
Interest and Dividends Receivable	19,322	-	19,322
Investments:			
Short-Term Investments	660,519	-	660,519
U.S. Government Obligations	1,124,935	-	1,124,935
Mortgage/Asset-Backed Securities	665,744	-	665,744
Corporate Bonds	416,444	-	416,444
Foreign Bonds	78,007	-	78,007
Mutual Funds - Equity	8,369,227	2,751,534	11,120,761
Mutual Funds - Fixed Income	-	347,166	347,166
Nonparticipating Interest-Earning Contract	-	3,296,049	3,296,049
Real Estate Fund	595,522	-	595,522
Total Investments	11,910,398	6,394,749	18,305,147
Total Assets	11,944,985	6,488,757	18,433,742
LIABILITIES			
Accounts Payable	10,674	-	10,674
NET POSITION			
Net Position Restricted for:			
Pension Benefits	$ 11,934,311	$ 6,488,757	$ 18,423,068

CITY OF ARCADIA, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Police Officers' and Firefighters' Retirement System	Employees' Retirement Plan	Total
ADDITIONS			
Contributions:			
Employer	$ 286,521	$ 606,361	$ 892,882
State of Florida	153,309	-	153,309
Plan Members	63,693	151,590	215,283
Total Contributions	503,523	757,951	1,261,474
Investment Income:			
Investment Earnings	1,339,708	437,626	1,777,334
Less: Investment Expenses	(40,088)	(19,488)	(59,576)
Net Investment Income	1,299,620	418,138	1,717,758
Total Additions	1,803,143	1,176,089	2,979,232
DEDUCTIONS			
Benefits	605,728	275,485	881,213
Administrative Expenses	56,936	91,759	148,695
Total Deductions	662,664	367,244	1,029,908
CHANGE IN NET POSITION	1,140,479	808,845	1,949,324
Net Position - Beginning of Year	10,793,832	5,679,912	16,473,744
NET POSITION - END OF YEAR	$ 11,934,311	$ 6,488,757	$ 18,423,068

CITY OF ARCADIA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Federal Awards				
U.S. Department of Justice				
Pass-Through from Florida Attorney General				
Crime Victim Assistance	16.575	VOCA-C-2024-Arcadia Police Department-00137	$ -	$ 35,709
Pass-Through from Florida Department of Law Enforcement				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	GN059	-	1,160
Edward Byrne Memorial Justice Assistance Grant Program	16.738	GN112	-	20,341
Total Edward Byrne Memorial Justice Assistance Grant Program			-	21,501
Total U.S. Department of Justice			-	57,210
U.S. Department of Transportation				
Direct Programs				
Airport Improvement Program	20.106		-	650,255
Airport Improvement Program	20.106		-	9,719
Total Airport Improvement Program			-	659,974
U.S. Department of Environmental Protection Agency				
Pass-Through from Florida Department of Environmental Protection:				
Drinking Water State Revolving Fund	66.468	DW140132	-	2,289,260
U.S. Department of Homeland Security				
Pass-Through from Florida Division of Emergency Management				
Hazard Mitigation Grant	97.039	H1070	-	20,000
Pass-Through from Florida Divisions of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z4698	-	45,075
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z2837	-	51,333
Total Disaster Grants - Public Assistance			-	96,408
Total U.S. Department of Homeland Security			-	116,408
U.S Department of Treasury				
Pass-Through from Florida Division of Emergency Management				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5006	-	2,502,173
United States Department of Housing and Urban Development				
Pass-Through from Florida Department of Economic Opportunity				
Community Development Block Grant	14.228	MT045	-	39,834
Total Expenditures of Federal Awards			$ -	$ 5,664,859

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

CITY OF ARCADIA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025

State Grantor/Pass-Through Grantor/Program	CSFA Number	Grant Contract Number	Passed Through to Subrecipients	Expenditures
State Financial Assistance				
Florida Department of Transportation				
Small County Outreach Program (SCOP)	55.009	G2J32	$ -	$ 21,018
Small County Outreach Program (SCOP)	55.009	G2420	-	1,294
Small County Outreach Program (SCOP)	55.009	G1H90	-	301,474
Small County Outreach Program (SCOP)	55.009	G1S86	-	601,597
Total Small County Outreach Program (SCOP)				925,383
Aviation Grant Programs	55.004	G2T06	-	414,426
Aviation Grant Programs	55.004	G2B56	-	268,649
Aviation Grant Programs	55.004	G2B57	-	363,758
Aviation Grant Programs	55.004	G2512	-	587,303
Total Aviation Grant Programs			-	1,634,136
Total Florida Department of Transportation			-	2,559,519
Florida Department of Environmental Protection				
Wastewater Treatment Facility Construction	37.077	WW140170	-	1,312,235
Statewide Water Quality Restoration Projects	37.039	L0004	-	184,782
Statewide Water Quality Restoration Projects	37.039	LPQ0035	-	1,933,629
Total Statewide Water Quality Restoration Projects			-	2,118,411
Total Florida Department of Environmental Protection			-	3,430,646
Florida Department of State and Secretary of State				
Historic Preservation Grants	45.032	24.h.sc.100.089	-	46,174
Acquisition, Restoration of Historic Properties	45.032	23.h.sc.100.122	-	166,483
Total Florida Department of State and Secretary of State			-	212,657
Florida Department of Emergency Management				
Hurricane Loss Mitigation Program	31.066	DEM-HL00083	-	400
Florida Department of Environmental Protection				
Florida Recreation Development Assistance Program	37.017	A2401	-	80,074
Florida Department of Commerce				
Arcadia Municipal Airport Utility Ext.	40.042	D0265	-	523,648
Total Expenditures of State Financial Assistance			$ -	$ 6,806,944

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

CITY OF ARCADIA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (Schedule) includes the federal award and state financial assistance activity of City of Arcadia, Florida (City) under programs of the federal government and state of Florida for the year ended September 30, 2025. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 69I-5, Rules of the Florida Department of Financial Services. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for awards and financial assistance recorded in governmental funds and the accrual basis of accounting for awards and financial assistance recorded in the proprietary funds, which are described in Note 1 to the City's basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles the Uniform Guidance and Chapter 691-5, Rules of the Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 LOANS OUTSTANDING

The City has the following loan balances outstanding at September 30, 2025.

Program Title	CSFA Number	Contract Number	Amount Outstanding
Drinking Water State Revolving Fund	66.468	DW140130	$ 203,528
Drinking Water State Revolving Fund	66.468	DW140100	3,194,715
Drinking Water State Revolving Fund	66.468	DW140131	2,970,270
Drinking Water State Revolving Fund	66.468	DW140132	228,926
Capitalization Grants for State Revolving Funds	66.458	WW140110	118,217
Total U.S. Department of Environmental Protection			$ 6,715,656
Wastewater Treatment Facility Construction	37.077	WW140170	131,224
Wastewater Treatment Facility Construction	37.077	WW140140	1,387,152
Wastewater Treatment Facility Construction	37.077	WW140113	141,993
Wastewater Treatment Facility Construction	37.077	WW140111	3,180,038
Total Florida Department of Environmental Protection			$ 4,840,407

NOTE 4 DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS) (97.036)

After a presidentially declared disaster, FEMA provides Disaster Grants — Public Assistance (Presidentially Declared Disasters) (Assistance Listing 97.036) to reimburse eligible costs associated with debris removal, emergency protective measures, and the repair, restoration, reconstruction, or replacement of public facilities or infrastructure damaged or destroyed. Reimbursements are provided in the form of cost-shared grants. Hurricane Ian (FEMA DR4834) made landfall on September 28, 2022. The $51,332.64 in expenses reported on the Schedule for grant Z2837 was incurred in fiscal year 2025. Hurricane Milton made landfall October 9, 2024. The $45,075.00 in expenses reported on the schedule for grant Z4698 was incurred in fiscal year 2025.

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

Honorable Mayor and
Members of the 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 City of Arcadia, Florida (City), as of and for the year ended September 30, 2025, 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 17, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

Lakeland, Florida
June 17, 2026

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

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

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the City of Arcadia, Florida's (City), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements identified as subject to audit in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2025. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.550 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs and state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and Chapter 10.550 and which are described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program and state project is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-001 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
June 17, 2026

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? ______ yes __X__ no
   - Significant deficiency(ies) identified? ______ yes __X__ none reported
3. Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

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

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	COVID-19- Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,000,000

Auditee qualified as low-risk auditee? ______ yes __X__ no

Section I – Summary of Auditors' Results (Continued)

State Financial Assistance

1. Internal control over state projects:
   - Material weakness(es) identified? ___X___ yes _________ no
   - Significant deficiency(ies) identified? _________ yes ___X___ none reported
2. Type of auditors' report issued on compliance for state projects: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General? ___X___ yes _________ no

Identification of Major State Projects

CSFA Number(s)	Name of State Project
37.039	Statewide Water Quality Restoration Projects
55.004	Aviation Grant Programs

Dollar threshold used to distinguish between Type A and Type B state projects: $ 750,000

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

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

Section IV – Findings and Questioned Costs – Major State Projects

2025-001 Reporting

State Agency: Florida Department of Environmental Protection

State Program Name: Statewide Water Quality Restoration

CSFA Number: 37.039

Grant Award Number: L0004 and LPQ0035

Award Period: July 1, 2022 through May 31, 2027

Type of Finding:
- Material Weakness in Internal Control over Compliance
- Other Matters

Criteria: Section 215.97, Florida Statutes, requires the recipients of state financial assistance to maintain financial management and effective internal controls. Consistent with these requirements, recipients must comply with grant reporting provisions and maintain internal controls to ensure reports are accurate, complete, and timely submitted. The grant agreement requires quarterly project progress reports be submitted within twenty (20) days following the completion of the quarterly reporting period.

Condition: Four of seven quarterly progress reports selected for testing were submitted after the twenty (20) day deadline.. Additionally, the City did not have internal controls in place to ensure reports were reviewed for accuracy and completeness prior to submission to the Department.

Questioned costs: None

Context: Of the seven quarterly project progress reports tested, four were not submitted timely. We also noted the absence of a formal review and approval process over report preparation and submission.

Cause: The City did not establish adequate policies and procedures to ensure timely submission and review of quarterly reports in accordance with the grant requirements.

Section IV – Findings and Questioned Costs – Major State Projects (Continued)

Repeat finding: No

Effect: The City was not in compliance with the grant reporting requirements. The lack of a review process increases the risk of inaccurate, incomplete or untimely information being provided to the Department.

Recommendation: We recommend the City implement policies and procedures to ensure that reports are reviewed for accuracy and completeness and submitted to grantor agencies within the required timeframe.

View responsible official and planned corrective actions: There is no disagreement with the finding. The City is implementing measures to ensure that, whether grant management is performed by a City employee or a consultant, a management-involved verification process is in place to confirm that all grant requirements are consistently met across all awards. We will develop a policy and establish a process that tracks each grant's specific requirements and identify staff or consultants responsible for each item, and identify the City Administrative Staff that will oversee each grant for compliance.

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, 2025, and have issued our report thereon dated June 17, 2026.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 17, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated in the City's geographical boundaries. A PACE program did not operate within the City's geographical boundaries during the fiscal year under audit.

Special District Component Units

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

Additional Matters

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

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, the 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

Lakeland, Florida
June 17, 2026

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Arcadia, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2025. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2025.

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

CliftonLarsonAllen LLP

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Lakeland, Florida
June 17, 2026