

CITY OF AVON PARK, FLORIDA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

**CITY OF AVON PARK, FLORIDA
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SEPTEMBER 30, 2014**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avon Park, Florida (City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds, which represent 100 percent, 100 percent, and 90 percent, respectively, of the assets, net position and fund balance, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the pension trust funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows and budgetary comparisons thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14 and information on pension plans and other postemployment benefits on pages 61-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
June 1, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Avon Park (the City) offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at the close of the fiscal year by \$40.1 million (net position). Of this amount, \$30.7 million represented the City's net investment in capital assets, and \$2.3 million was restricted by laws, debt covenants, or for capital projects. The remaining \$7.1 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased \$2.4 million from its current year activity, of which \$.4 million was an increase from governmental activities, and \$2 million was an increase from business-type activities.
- As of September 30, 2014, the City reported combined governmental ending fund balances of \$5,450,580 an increase of \$592,719 in comparison with the prior year. In addition, the City reported combined proprietary fund net position of \$26,209,885, an increase of \$1,994,702 in comparison with the prior year.
- At September 30, 2014, unassigned fund balance (the City's Reserves) for the general fund was \$2,694,470 or 62 percent of total general fund expenditures. By policy, the City is only required to keep reserves of 20 percent.
- During the year, the City paid off all of its long-term debt to creditors of \$2.4 million, which included revenue bonds payable of \$1.6 million and other debt of \$.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to Financial Statements. This report also 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 the private-sector business.

The statement of net position presents information on all the City's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. 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.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes 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 of the City include general government, public safety, transportation, culture and recreation, and economic environment. The business-type activities of the City include water and sewer, airport, and solid waste activities.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over 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 divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

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 the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, infrastructure fund, CRA funds (Main Street, South Side and Airport), and Community Development Block Grant fund. The general fund, infrastructure fund, and CRA funds are considered to be major funds.

The City adopts an annual appropriated budget for its general fund, infrastructure fund, and CRA funds. A budgetary comparison statement has been provided for the general fund, infrastructure fund, and CRA funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 18-26 of this report.

Proprietary Funds. The City of Avon Park maintains three proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City used enterprise funds to account for its water and sewer, airport and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, airport operations and solid waste operations, which are all considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 27-30 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-30 of this report.

Notes to 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 to financial statements can be found on pages 33-60 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 61-62 of this report.

Government-wide Financial Analysis

Statement of Net Position:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$40.1 million at the close of the most recent fiscal year.

The largest portion of the City's net position \$30.7 million (77 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its 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.

An additional portion of the City's net position \$2.3 million (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$7.1 million (17 percent).

The following table reflects a condensed statement of net position for the current year as compared to the prior year. For more detailed information, see the statement of net position on page 16.

CITY OF AVON PARK'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,917,087	\$ 5,514,461	\$ 5,836,340	\$ 6,908,048	\$ 11,753,427	\$ 12,422,509
Capital assets	8,655,502	9,054,686	22,123,389	21,663,251	30,778,891	30,717,937
Total assets	<u>14,572,589</u>	<u>14,569,147</u>	<u>27,959,729</u>	<u>28,571,299</u>	<u>42,532,318</u>	<u>43,140,446</u>
Long-term liabilities						
outstanding	330,605	523,068	128,139	1,944,539	458,744	2,467,607
Other liabilities	<u>332,897</u>	<u>516,208</u>	<u>1,621,705</u>	<u>2,411,577</u>	<u>1,954,602</u>	<u>2,927,785</u>
Total liabilities	<u>663,502</u>	<u>1,039,276</u>	<u>1,749,844</u>	<u>4,356,116</u>	<u>2,413,346</u>	<u>5,395,392</u>
Net position:						
Net investment in						
capital assets	8,620,194	8,903,940	22,099,786	19,837,147	30,719,980	28,741,087
Restricted	2,324,466	2,301,063	-	1,175,000	2,324,466	3,476,063
Unrestricted	<u>2,964,427</u>	<u>2,324,868</u>	<u>4,110,099</u>	<u>3,203,036</u>	<u>7,074,526</u>	<u>5,527,904</u>
Total net position	<u>\$ 13,909,087</u>	<u>\$ 13,529,871</u>	<u>\$ 26,209,885</u>	<u>\$ 24,215,183</u>	<u>\$ 40,118,972</u>	<u>\$ 37,745,054</u>

Statement of Activities:

The following table reflects a condensed statement of activities for the current year as compared to the prior year. For more detailed information, see the statement of activities on page 17.

CITY OF AVON PARK'S CHANGES IN NET POSITION

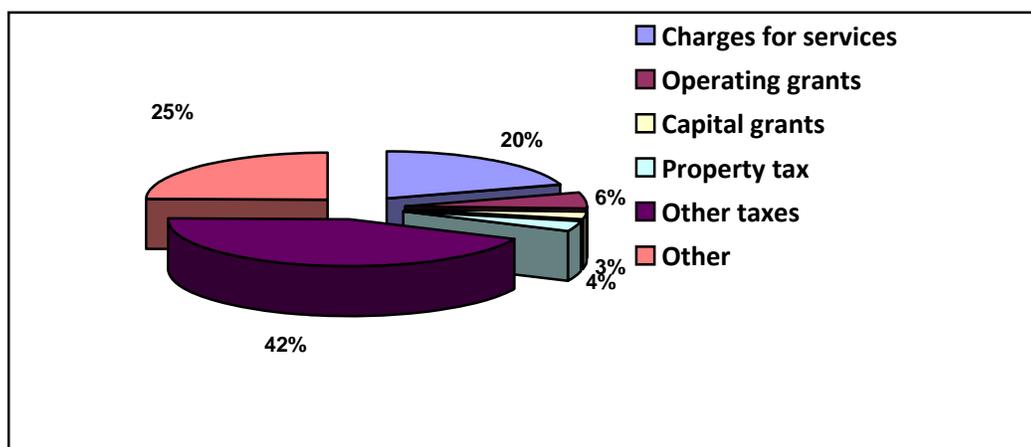
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 1,061,743	\$ 1,067,570	\$ 6,204,899	\$ 6,433,961	\$ 7,266,642	\$ 7,501,531
Operating grants and contributions	290,501	111,470	40,812	113,350	331,313	224,820
Capital grants and contributions	137,232	641,341	1,089,262	1,045,716	1,226,494	1,687,057
General revenues:						
Property taxes	190,280	931,342	-	-	190,280	931,342
Other taxes	2,269,299	2,127,582	-	-	2,269,299	2,127,582
Other	<u>1,299,825</u>	<u>1,292,440</u>	<u>6,970</u>	<u>230</u>	<u>1,306,795</u>	<u>1,292,670</u>
Total revenues	<u>5,248,880</u>	<u>6,171,745</u>	<u>7,341,943</u>	<u>7,593,257</u>	<u>12,590,823</u>	<u>13,765,002</u>

CITY OF AVON PARK'S CHANGES IN NET POSITION
(continued)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Total revenues	5,248,880	6,171,745	7,341,943	7,593,257	12,590,823	13,765,002
Expenses:						
General government	664,209	807,544	-	-	664,209	807,544
Public safety	3,247,707	3,582,206	-	-	3,247,707	3,582,206
Transportation	691,289	527,259	-	-	691,289	527,259
Culture and recreation	531,302	601,585	-	-	531,302	601,585
Economic environment	411,663	737,902	-	-	411,663	737,902
Water and Sewer	-	-	3,034,262	3,074,399	3,034,262	3,074,399
Airport	-	-	500,651	644,472	500,651	644,472
Solid waste	-	-	1,135,822	1,308,839	1,135,822	1,308,839
Total expenses	5,546,170	6,256,496	4,670,735	5,027,710	10,216,905	11,284,206
Excess (deficiency)						
before transfers	(297,290)	(84,751)	2,671,208	2,565,547	2,373,918	2,480,796
Transfers	676,506	382,746	(676,506)	(382,746)	-	-
Change in net position	379,216	297,995	1,994,702	2,182,801	2,373,918	2,480,796
Net position, beginning	13,529,871	13,379,297	24,215,183	22,085,528	37,745,054	35,464,825
Implementation of new accounting principle	-	-	-	(53,146)	-	(53,146)
Prior period adjustment	-	(147,421)	-	-	-	(147,421)
Net position, beginning as restated	13,529,871	13,231,876	24,215,183	22,032,382	37,745,054	35,264,258
Net position, ending	\$ 13,909,087	\$ 13,529,871	\$ 26,209,885	\$ 24,215,183	\$ 40,118,972	\$ 37,745,054

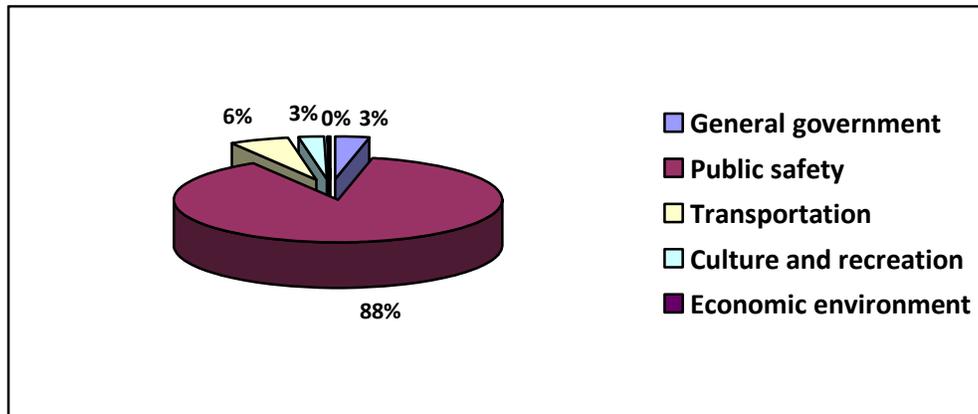
Governmental Activities. For the current year, the City’s governmental activities had a net expense of \$4,056,694, a decrease of \$379,421 in comparison with the prior year. A net expense for governmental activities is expected because these services are intended to be primarily funded by taxes, as opposed to charges for services and grants.

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
2013-14 Fiscal Year



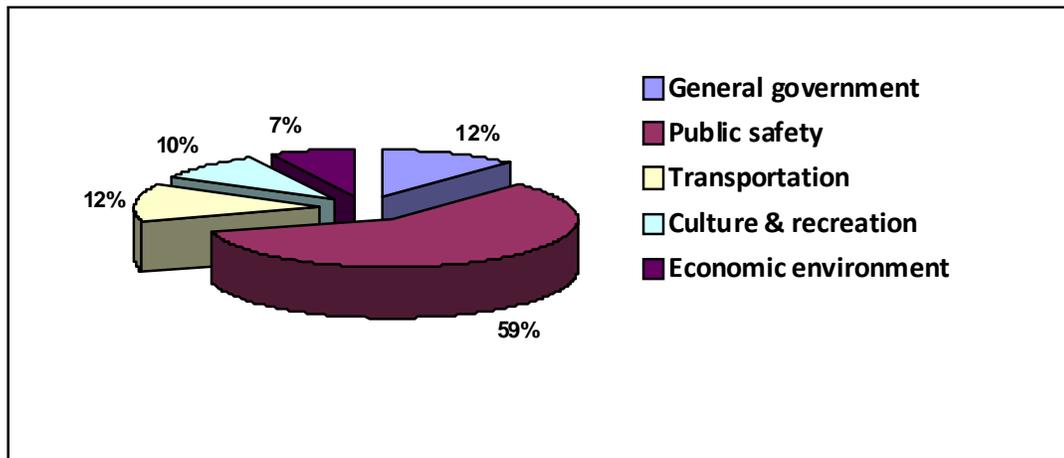
In total, governmental activities revenues decreased \$922,865. Significant changes in revenues include a decrease in property taxes of \$741,062 (80 percent) due to a reduction in the City's millage rate from 3.60 mils in 2013, to .30 mils in 2014, and a decrease in capital grants and contributions of \$504,109, primarily due to the majority of a rehabilitative housing grant taking place in the prior year.

**PROGRAM REVENUES/CHARGES FOR SERVICES – GOVERNMENTAL ACTIVITIES
2013-14 Fiscal Year**



Total program revenues/charges for services for governmental activities decreased \$5,827 when compared to the prior year. The most significant source of program revenue/charges for services is the special assessment for fire protection in the amount of \$927,915.

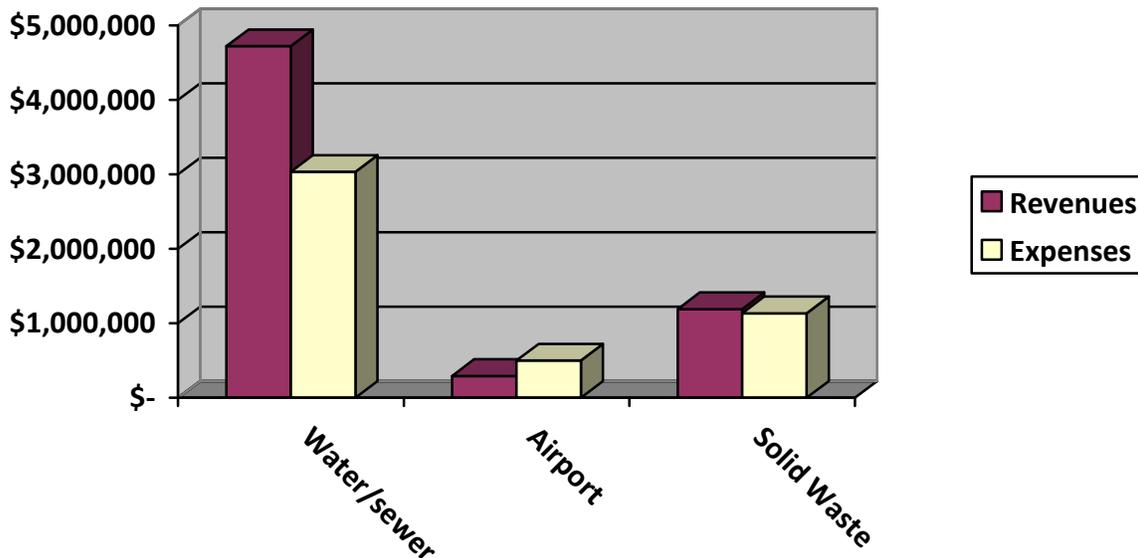
**PROGRAM EXPENSES – GOVERNMENTAL ACTIVITIES
2013-14 Fiscal Year**



Total program expenses for governmental activities decreased \$710,326 when compared to the prior year. General government expenditures decreased \$143,335 due mainly to a reduction in legal and personnel costs; public safety expenditures decreased \$334,499 as a result of additional costs savings related to the outsourcing of law enforcement services to Highlands County; transportation expenditures increased \$164,030 as a result of paving and other non-capitalized street improvements; culture and recreation expenditures decreased \$70,283; and economic environment expenditures decreased \$326,239 as a result of completing the rehabilitative housing grant.

Business-type Activities. Business-type activities account for 65 percent of the City’s net position. The City maintains three enterprise funds: water and sewer, airport, and solid waste. The water and sewer fund and solid waste fund derive income from service fees. The airport revenues are derived from rental of the facilities.

**PROGRAM REVENUES AND EXPENSES- BUSINESS-TYPE ACTIVITIES
2013-14 Fiscal Year**



The City’s business-type activities had excess revenue before transfers of \$2,671,208, an increase of \$105,661 in comparison to the prior year. After transfers, business-type activities increased the net position by \$1,994,702, which was a decrease of \$188,099 in comparison to the prior year. Key elements of this change from the prior year were as follows:

The Water and Sewer Fund has net revenue of \$2,781,209, which is a decrease of \$21,024 compared to the prior year. The City had a net decrease in charges for services of \$104,705 primarily due to a decrease in sewage revenues. Of this amount \$62,000 related to a reduction in revenues for onsite processing of delivered raw sewage (septage). In addition, overall expenses decreased \$40,137.

The Airport Fund has net expenses of \$171,056, a decrease from the prior year of \$89,298. The Airport Fund is showing an operating loss of \$206,768, an improvement of \$159,311 compared to the prior year. Charges for services were not enough to cover the operating expenses. The main contributor to the net expense is depreciation expense on airport improvements, hangars, and the industrial building that were financed with grants and tenant contributions.

The Solid Waste Fund has net revenue of \$54,085, which is an increase of \$30,647 compared to the prior year. This increase is from operating expenses decreasing \$173,017 primarily due to the City’s purchase of recycling carts in the prior year. This decrease in operating expenses, however, was offset by a decrease in charges for services of \$142,370 because of a rate reduction.

FINANCIAL ANALYSIS OF THE GOVERNMENT'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* 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 government'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 balances of \$5,450,580, an increase of \$592,719 in comparison to the prior year. The unassigned fund balance of \$2,694,470, or 49 percent, is available for spending at the City's discretion. Also \$232,219 is committed to payment of compensated absences. The City's infrastructure fund and CRA Fund balances are restricted in their use.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,694,470 while total fund balance reached \$3,140,763. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance for the current year and prior year as a percent of total general fund expenditures was 62 percent and 41 percent, respectively, for an increase of 21 percent during the fiscal year. The City's fund balance in the general fund for the fiscal year increased \$569,304.

The fund balance of the City's infrastructure fund increased by \$135,489 during the current fiscal year due to the City spending less than it received in revenues.

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

Unrestricted net position of the Water and Sewer fund at the end of the year was \$3,610,760. The Airport fund and Solid Waste funds unrestricted net position were (\$1,148,586) and \$1,647,925, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The general fund changes between the original budget and the final amended budget were a net increase of \$101,992 in expenditures. The significant changes were as follows:

- Revenues from taxes increased \$97,692 due to State pension contributions being omitted from the original budget. The additional revenue was offset by additional expenses related to pension contributions of \$51,390 and \$46,302, to the Police and Fire departments respectively.
- Other government services budget decrease of \$73,437 is primarily due to the utilization of the City's contingency budget amount used to fund the buy back of employee sick time. The largest transfer for the buy back was to public safety that was comprised of \$17,770, \$36,406 and \$14,831 to the Police, Fire, and Code enforcement departments, respectively.

In total the overall favorable budget variance for the general fund was \$677,572. The primary reasons are the following:

- The City didn't utilize \$157,803 of its contingency budget that is included in other government services.
- Public safety's favorable variance of \$186,163 was due to costs being lower than anticipated for many line items, the most significant being Fire contractual services by \$28,000 due to a contractor not being hired to update the fire assessment.
- Culture and recreation's favorable variance of \$136,892 was due to costs for contractual services, repairs and maintenance and personnel costs for recreation being lower than anticipated.

The infrastructure fund's changes between the original budget and the final amended budget were a net increase of \$160,097 in capital outlay expenditures all of which was related to the roll forward of prior year outstanding encumbrances for on going projects. In addition a reclassification of \$150,800 was done from Police to Fire for the debt service payment on the City's capital lease obligation that funded the purchase of new emergency radios in the prior fiscal year. These additional costs were financed by utilizing fund balance carry forward. Favorable budget variances for the streets and parks department were the result of budgeted project expenses not occurring for storm water drainage, Lake Tulane beach and Durrah Martin play ground.

The CRA funds had no changes between the original budget and the final amended budget. Favorable budget variances in expenditures were the result of the City's practice of appropriating all available fund balance each year and not budgeting the retention of any reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014 amounts to \$30,778,891 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water production and distributions systems, wastewater collection and treatment plant, machinery and equipment, park facilities, roads, and curbs and sidewalks. The total increase in the City's investment in capital assets for the current fiscal year is a result of capital additions for the year exceeding current year depreciation.

Major capital asset events during the current fiscal year included the following:

- General fund improvements and equipment acquisitions comprised of:
 - Storm water drainage improvements, \$231,713
 - Two mowers, \$13,498
 - Vehicles, \$47,366
- Water and sewer improvements and equipment acquisitions comprised of:
 - Banyan Woods Utility System Connection, \$30,709
 - Brentwood Lift Station Improvements, \$22,623
 - College Lift Station Improvements, \$56,962
 - WWTP new SCADA System, \$39,944
 - WWTP new Micro Strainer Screen, \$71,000
 - Avon Park Lakes Waterline Extension, \$147,912
 - Avon Park Water Main Improvements, \$897,763
- Solid Waste garbage truck, \$238,573

**CITY OF AVON PARK'S CHANGES IN CAPITAL ASSETS
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 316,174	\$ 316,174	\$ 883,360	\$ 883,360	\$ 1,199,534	\$ 1,199,534
Buildings & system	5,622,420	5,622,420	37,527,523	34,482,109	43,149,943	40,104,529
Machinery & equipment	3,712,242	3,965,491	5,299,916	5,209,081	9,012,158	9,174,572
Infrastructure	6,149,496	6,068,560	-	-	6,149,496	6,068,560
Construction in progress	207,976	38,199	266,390	1,943,692	474,366	1,981,891
Total capital assets	16,008,308	16,010,844	43,977,189	42,518,242	59,985,497	58,529,086
Less: Accumulated depreciation	(7,352,806)	(6,956,158)	(21,853,800)	(20,854,990)	(29,206,606)	(27,811,148)
	<u>\$ 8,655,502</u>	<u>\$ 9,054,686</u>	<u>\$ 22,123,389</u>	<u>\$ 21,663,252</u>	<u>\$ 30,778,891</u>	<u>\$ 30,717,938</u>

Additional information on the City's capital assets can be found on Note 4 on pages 47-48 of this report.

Long-term Debt. During the year the City repaid \$2.0 million of long-term debts to creditors that were outstanding at September 30, 2013. Therefore, at the end of the current fiscal year, the City had only outstanding long-term debt for liabilities to employees for benefits. The City is reporting a liability of \$310,233 for compensated absences, and \$148,511 for Other Post-Employment Benefit Obligations at September 30, 2014.

CITY OF AVON PARK'S OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital lease obligation	\$ -	\$ 150,746	\$ -	\$ -	\$ -	\$ 150,746
Notes payable	-	-	-	212,583	-	212,583
Revenue bonds payable	-	-	-	1,635,000	-	1,635,000
Other obligations	330,605	372,322	128,139	118,435	458,744	490,757
Total capital assets	<u>\$ 330,605</u>	<u>\$ 523,068</u>	<u>\$ 128,139</u>	<u>\$ 1,966,018</u>	<u>\$ 458,744</u>	<u>\$ 2,489,086</u>

Additional information on the City's long-term debt can be found in Note 6 on page 49 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic growth in the local economy is influenced by local and national economic factors. Negative economic recovery is correlated with decreased or flat revenues from property taxes, sales taxes, and charges for services as well as state and federal grants. The economic slowdown in the local economy may be measured by a variety of indicators such as unemployment, new construction, and assessed valuation.

In an effort to stimulate local growth, and attract businesses, the City drastically reduced its ad-valorem tax rate from a millage rate of 3.60 to 0.30 per \$1,000 of valuation for fiscal year 2014 and 2015. Other recent actions by the City Council to stimulate local growth and attract businesses were to extend by resolution a policy that allows new businesses which utilize vacant and existing buildings to receive an impact fee credit up to \$20,000, and adopting by ordinance a policy for financing of new utility system connections to facilitate for new customers desiring utility services.

The City has continued to expand its water utility system with City constructed water main extensions and the completion of State Revolving loan and grant funded expansion. Additionally, during the year the City completed its improvements to the two smaller utilities, Brentwood Mobile Home Park Sanitary system and Banyan Woods Sanitary system, that were acquired in the prior fiscal year.

- The unemployment rate for the County was 6.7 percent for the month of December 2014, which is higher than the State of Florida rate of 5.4 percent and higher than the national rate of 5.6 percent.
- The assessed property taxable value of real property in Highlands County increased .52 percent above last year.

For the 2014/2015 budget cycle, the City has added another 600 dwelling units. These newly annexed service areas should increase General Fund revenues. In developing the planned budget, staff will account for these parameters and plan accordingly.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Office of the City Manager, 110 E. Main St., Avon Park, FL 33825.

BASIC FINANCIAL STATEMENTS

**CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 5,046,534	\$ 5,253,720	\$ 10,300,254
Receivables, net	136,008	581,996	718,004
Internal balances	139,781	(139,781)	-
Due from other governments	401,510	48,841	450,351
Prepaid items	59,644	-	59,644
Inventory	-	91,564	91,564
Net pension assets	133,610	-	133,610
Capital assets:			
Land	316,174	883,360	1,199,534
Buildings and system	5,622,420	37,527,523	43,149,943
Equipment	3,712,242	5,299,916	9,012,158
Infrastructure	6,149,496	-	6,149,496
Construction in progress	207,976	266,390	474,366
Accumulated depreciation	(7,352,806)	(21,853,800)	(29,206,606)
Total Assets	<u>14,572,589</u>	<u>27,959,729</u>	<u>42,532,318</u>
Liabilities			
Accounts payable and accrued liabilities	311,862	220,791	532,653
Deposits	-	876,757	876,757
Unearned revenue	21,035	524,157	545,192
Noncurrent liabilities:			
Due within one year	197,400	66,400	263,800
Due in more than one year	133,205	61,739	194,944
Total Liabilities	<u>663,502</u>	<u>1,749,844</u>	<u>2,413,346</u>
Net Position			
Net investment in capital assets	8,620,194	22,099,786	30,719,980
Restricted for:			
Infrastructure	2,005,129	-	2,005,129
Community redevelopment	304,688	-	304,688
Other	14,649	-	14,649
Unrestricted	2,964,427	4,110,099	7,074,526
Total Net Position	<u>\$ 13,909,087</u>	<u>\$ 26,209,885</u>	<u>\$ 40,118,972</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	\$ 664,209	\$ 35,585	\$ -	\$ -	\$ (628,624)	\$ -	\$ (628,624)
Public safety	3,247,707	933,741	2,070	-	(2,311,896)	-	(2,311,896)
Transportation	691,289	61,779	-	137,232	(492,278)	-	(492,278)
Culture and recreation	531,302	27,788	110,000	-	(393,514)	-	(393,514)
Economic environment	411,663	2,850	178,431	-	(230,382)	-	(230,382)
Total governmental activities	<u>5,546,170</u>	<u>1,061,743</u>	<u>290,501</u>	<u>137,232</u>	<u>(4,056,694)</u>	<u>-</u>	<u>(4,056,694)</u>
Business-type activities							
Water and sewer	3,034,262	4,721,109	18,750	1,075,612	-	2,781,209	2,781,209
Airport	500,651	293,883	22,062	13,650	-	(171,056)	(171,056)
Solid waste	1,135,822	1,189,907	-	-	-	54,085	54,085
Total business-type activities	<u>4,670,735</u>	<u>6,204,899</u>	<u>40,812</u>	<u>1,089,262</u>	<u>-</u>	<u>2,664,238</u>	<u>2,664,238</u>
Total primary government	<u>\$ 10,216,905</u>	<u>\$ 7,266,642</u>	<u>\$ 331,313</u>	<u>\$ 1,226,494</u>	<u>(4,056,694)</u>	<u>2,664,238</u>	<u>(1,392,456)</u>
General revenues							
Taxes:							
Property					190,280	-	190,280
Fuel					309,388	-	309,388
Infrastructure surtax					818,035	-	818,035
Utility and communication services					1,016,045	-	1,016,045
Other					125,831	-	125,831
Franchise fees					569,361	-	569,361
Unrestricted intergovernmental revenue					691,308	-	691,308
Investment earnings					2,393	6,970	9,363
Miscellaneous					36,763	-	36,763
Transfers					<u>676,506</u>	<u>(676,506)</u>	<u>-</u>
Total general revenues and transfers					<u>4,435,910</u>	<u>(669,536)</u>	<u>3,766,374</u>
Change in net position					<u>379,216</u>	<u>1,994,702</u>	<u>2,373,918</u>
Net position, beginning of year					<u>13,529,871</u>	<u>24,215,183</u>	<u>37,745,054</u>
Net position, end of year					<u>\$ 13,909,087</u>	<u>\$ 26,209,885</u>	<u>\$ 40,118,972</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General	Infrastructure
Assets		
Equity in pooled cash and cash equivalents	\$ 2,791,159	\$ 1,926,679
Receivables, net	136,008	-
Due from other governments	257,233	144,277
Prepaid items	59,644	-
Advance to other fund	139,781	-
Total Assets	\$ 3,383,825	\$ 2,070,956
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 222,027	\$ 65,827
Unearned revenue	21,035	-
Total liabilities	243,062	65,827
Fund balances:		
Nonspendable		
Prepaid items	59,644	-
Advance to other fund	139,781	-
Restricted for		
Law enforcement	8,167	-
Bouis Fountain	6,482	-
Infrastructure	-	2,005,129
Community redevelopment	-	-
Committed for compensated absences	232,219	-
Unassigned	2,694,470	-
Total fund balances	3,140,763	2,005,129
Total Liabilities and Fund Balances	\$ 3,383,825	\$ 2,070,956

See accompanying Notes to Financial Statements.

CRA	(Non-major) CDBG	Total Governmental Funds
\$ 328,696	\$ -	\$ 5,046,534
-	-	136,008
-	-	401,510
-	-	59,644
-	-	139,781
<u>\$ 328,696</u>	<u>\$ -</u>	<u>\$ 5,783,477</u>
\$ 24,008	\$ -	\$ 311,862
-	-	21,035
<u>24,008</u>	<u>-</u>	<u>332,897</u>
-	-	59,644
-	-	139,781
-	-	8,167
-	-	6,482
-	-	2,005,129
304,688	-	304,688
-	-	232,219
-	-	2,694,470
<u>304,688</u>	<u>-</u>	<u>5,450,580</u>
<u>\$ 328,696</u>	<u>\$ -</u>	<u>\$ 5,783,477</u>

**CITY OF AVON PARK, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Fund Balances - Total Governmental Funds \$ 5,450,580

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

The cumulative effect of overfunding the actuarial required contributions to a pension fund does not represent a financial asset in the governmental funds. In the statement of net position, which is presented on the accrual basis, an asset is reported since the adjustment to expense is fully recognized in the statement of activities. 133,610

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	16,008,308	
Accumulated depreciation	<u>(7,352,806)</u>	8,655,502

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.

OPEB liability	(98,386)	
Compensated absences	<u>(232,219)</u>	(330,605)

Net Position of Governmental Activities \$ 13,909,087

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General	Infrastructure
Revenues		
Taxes	\$ 1,521,969	\$ 818,035
Charges for services	18,111	-
Permits, fees, and special assessments	1,471,373	-
Intergovernmental	952,389	50,000
Fines and forfeitures	27,729	-
Investment earnings	926	1,467
Miscellaneous	85,749	-
Total revenues	4,078,246	869,502
Expenditures		
Current		
General government	589,485	-
Public safety	2,968,615	-
Transportation	365,675	-
Culture and recreation	407,989	-
Economic environment	-	-
Capital outlay	13,498	583,267
Debt service	-	150,746
Total expenditures	4,345,262	734,013
Excess (deficiency) of revenues over (under) expenditures	(267,016)	135,489
Other financing sources (uses)		
Transfers in	846,625	-
Transfers out	(10,305)	-
Total other financing sources (uses)	836,320	-
Net change in fund balances	569,304	135,489
Fund balances, beginning of year	2,571,459	1,869,640
Fund balances, end of year	\$ 3,140,763	\$ 2,005,129

See accompanying Notes to Financial Statements.

<u>CRA</u>	<u>(Non-major) CDBG</u>	<u>Total Governmental Funds</u>
\$ 119,576	\$ -	\$ 2,459,580
-	-	18,111
-	-	1,471,373
-	177,631	1,180,020
-	-	27,729
-	-	2,393
3,925	-	89,674
<u>123,501</u>	<u>177,631</u>	<u>5,248,880</u>
-	-	589,485
-	-	2,968,615
-	-	365,675
-	-	407,989
228,778	182,884	411,662
11,849	-	608,614
-	-	150,746
<u>240,627</u>	<u>182,884</u>	<u>5,502,786</u>
<u>(117,126)</u>	<u>(5,253)</u>	<u>(253,906)</u>
5,052	5,253	856,930
-	-	(10,305)
<u>5,052</u>	<u>5,253</u>	<u>846,625</u>
<u>(112,074)</u>	<u>-</u>	<u>592,719</u>
416,762	-	4,857,861
<u>\$ 304,688</u>	<u>\$ -</u>	<u>\$ 5,450,580</u>

**CITY OF AVON PARK, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 592,719

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

In the governmental funds, contributions made to a pension fund in excess of the actuarial required contribution amount are reported as an expenditure. In the statement of net position, the amount is reported as an asset. Thus the change in net position differs from the change in fund balance by the amount contributed in excess (deficiency) of the actuary's requirement. (6,782)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, some of these expenditures are capitalized and depreciated over their estimated useful lives.

Expenditures for capital assets that were capitalized	\$ 318,011	
Less: Current year depreciation	(658,036)	
Less: Net book value of disposed assets	(59,159)	
		(399,184)

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 such as:

OPEB liability	(7,678)	
Compensated absences	49,395	
		41,717

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.

Principal payments on capital lease obligation		150,746
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Change in Net Position of Governmental Activities \$ 379,216

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 1,424,142	\$ 1,521,834	\$ 1,521,969	\$ 135
Charges for services	24,350	24,350	18,111	(6,239)
Permits, fees, and special assessments	1,529,292	1,529,292	1,471,373	(57,919)
Intergovernmental	919,194	919,194	952,389	33,195
Fines and forfeitures	33,500	33,500	27,729	(5,771)
Investment earnings	24	24	926	902
Miscellaneous	59,470	63,770	85,749	21,979
Total revenues	<u>3,989,972</u>	<u>4,091,964</u>	<u>4,078,246</u>	<u>(13,718)</u>
Expenditures				
General government:				
City council	28,008	28,408	23,354	5,054
City manager	210,362	219,247	193,993	25,254
Finance	114,599	121,706	99,184	22,522
Legal counsel	140,000	140,000	123,264	16,736
Other government services	431,387	357,950	149,690	208,260
Public safety:				
Police	1,390,153	1,426,793	1,387,588	39,205
Fire	1,371,288	1,469,976	1,372,238	97,738
Code enforcement	177,508	208,009	183,574	24,435
Planning and zoning	50,000	50,000	25,215	24,785
Transportation:				
Street	452,972	449,115	372,424	76,691
Culture/recreation:				
Parks	313,234	302,244	218,624	83,620
Recreation	199,813	203,538	155,153	48,385
Community center	41,518	45,848	40,961	4,887
Total expenditures	<u>4,920,842</u>	<u>5,022,834</u>	<u>4,345,262</u>	<u>677,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(930,870)</u>	<u>(930,870)</u>	<u>(267,016)</u>	<u>663,854</u>
Other financing sources (uses)				
Transfers in	935,922	935,922	846,625	(89,297)
Transfers out	(5,052)	(5,052)	(10,305)	(5,253)
Total other financing sources (uses)	<u>930,870</u>	<u>930,870</u>	<u>836,320</u>	<u>(94,550)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>569,304</u>	<u>569,304</u>
Fund balances, beginning of year	2,571,459	2,571,459	2,571,459	-
Fund balances, end of year	<u>\$ 2,571,459</u>	<u>\$ 2,571,459</u>	<u>\$ 3,140,763</u>	<u>\$ 569,304</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
INFRASTRUCTURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 764,892	\$ 764,892	\$ 818,035	\$ 53,143
Intergovernmental	513,664	513,664	50,000	(463,664)
Investment earnings	1,500	1,500	1,467	(33)
Total revenues	<u>1,280,056</u>	<u>1,280,056</u>	<u>869,502</u>	<u>(410,554)</u>
Expenditures				
General government:				
Other government services	-	24,650	24,439	211
Public safety:				
Police	265,000	65,450	49,063	16,387
Fire	-	150,800	150,746	54
Transportation:				
Streets	913,775	1,043,999	342,507	701,492
Culture and recreation:				
Parks	230,000	230,000	-	230,000
Water and sewer	141,281	195,254	167,258	27,996
Total expenditures	<u>1,550,056</u>	<u>1,710,153</u>	<u>734,013</u>	<u>976,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(270,000)</u>	<u>(430,097)</u>	<u>135,489</u>	<u>565,586</u>
Fund balances, beginning of year	1,869,640	1,869,640	1,869,640	-
Fund balances, end of year	<u>\$ 1,599,640</u>	<u>\$ 1,439,543</u>	<u>\$ 2,005,129</u>	<u>\$ 565,586</u>

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CRA FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 119,576	\$ 119,576	\$ 119,576	\$ -
Miscellaneous	-	-	3,925	3,925
Total revenues	<u>119,576</u>	<u>119,576</u>	<u>123,501</u>	<u>3,925</u>
Expenditures				
Economic environment:				
Main street	362,553	362,553	130,535	232,018
South side	139,035	139,035	87,678	51,357
Airport	131,812	131,812	22,414	109,398
Total expenditures	<u>633,400</u>	<u>633,400</u>	<u>240,627</u>	<u>392,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(513,824)</u>	<u>(513,824)</u>	<u>(117,126)</u>	<u>396,698</u>
Other financing sources (uses)				
Transfers in	5,052	5,052	5,052	-
Transfers out	(1,940)	(1,940)	-	1,940
Total other financing sources (uses)	<u>3,112</u>	<u>3,112</u>	<u>5,052</u>	<u>1,940</u>
Net change in fund balances	<u>(510,712)</u>	<u>(510,712)</u>	<u>(112,074)</u>	<u>398,638</u>
Fund balances, beginning of year	510,712	510,712	416,762	(93,950)
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,688</u>	<u>\$ 304,688</u>

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
Assets				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 4,024,042	\$ -	\$ 1,229,678	\$ 5,253,720
Receivable, net	514,237	13,785	53,974	581,996
Due from other governments	-	48,841	-	48,841
Inventories	91,564	-	-	91,564
Total current assets	4,629,843	62,626	1,283,652	5,976,121
Noncurrent assets:				
Advance to other fund	-	-	464,515	464,515
Capital assets:				
Land	182,893	700,467	-	883,360
Building and system	27,101,331	10,424,337	1,855	37,527,523
Equipment	3,655,942	8,866	1,635,108	5,299,916
Construction in progress	12,000	254,390	-	266,390
Accumulated depreciation	(16,249,576)	(4,370,188)	(1,234,036)	(21,853,800)
Capital assets, net of accumulated depreciation	14,702,590	7,017,872	402,927	22,123,389
Total noncurrent assets	14,702,590	7,017,872	867,442	22,587,904
Total Assets	19,332,433	7,080,498	2,151,094	28,564,025
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	120,513	50,940	49,338	220,791
Compensated absences	34,700	-	31,700	66,400
Deposits	839,936	36,821	-	876,757
Unearned revenue - current	-	45,000	-	45,000
Total current liabilities	995,149	132,761	81,038	1,208,948
Noncurrent liabilities:				
Advances from other funds	-	604,296	-	604,296
Compensated absences	6,079	-	5,535	11,614
Other post-employment benefits	36,456	-	13,669	50,125
Unearned revenue	5,002	474,155	-	479,157
Total non-current liabilities	47,537	1,078,451	19,204	1,145,192
Total Liabilities	1,042,686	1,211,212	100,242	2,354,140
Net Position				
Net investment in capital assets	14,678,987	7,017,872	402,927	22,099,786
Unrestricted	3,610,760	(1,148,586)	1,647,925	4,110,099
Total Net Position	\$ 18,289,747	\$ 5,869,286	\$ 2,050,852	\$ 26,209,885

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
Operating revenues				
Charges for services	\$ 4,662,275	\$ 293,345	\$ 1,189,907	\$ 6,145,527
Miscellaneous	58,834	538	-	59,372
Total operating revenues	<u>4,721,109</u>	<u>293,883</u>	<u>1,189,907</u>	<u>6,204,899</u>
Operating expenses				
Personal services	881,902	-	414,639	1,296,541
Materials, supplies, services, and other operating expenses	1,289,604	170,742	612,155	2,072,501
Depreciation	821,181	329,909	109,028	1,260,118
Total operating expenses	<u>2,992,687</u>	<u>500,651</u>	<u>1,135,822</u>	<u>4,629,160</u>
Operating income (loss)	<u>1,728,422</u>	<u>(206,768)</u>	<u>54,085</u>	<u>1,575,739</u>
Nonoperating revenues (expenses)				
Noncapital grants	18,750	22,062	-	40,812
Investment earnings	4,554	-	2,416	6,970
Interest/amortization expense	(41,575)	-	-	(41,575)
Total nonoperating revenues (expenses)	<u>(18,271)</u>	<u>22,062</u>	<u>2,416</u>	<u>6,207</u>
Income (loss) before transfers and capital contributions	<u>1,710,151</u>	<u>(184,706)</u>	<u>56,501</u>	<u>1,581,946</u>
Capital grants	987,835	13,650	-	1,001,485
Capital contributions - impact fees and capital contributions	257,896	-	-	257,896
Transfers out	(825,000)	(21,625)	-	(846,625)
Changes in net position	<u>2,130,882</u>	<u>(192,681)</u>	<u>56,501</u>	<u>1,994,702</u>
Total net position, beginning of year	16,158,865	6,061,967	1,994,351	24,215,183
Total net position, end of year	<u>\$ 18,289,747</u>	<u>\$ 5,869,286</u>	<u>\$ 2,050,852</u>	<u>\$ 26,209,885</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 4,790,269	\$ 246,508	\$ 1,210,212	\$ 6,246,989
Cash paid to suppliers	(2,024,107)	(172,931)	(628,257)	(2,825,295)
Cash paid to employees	(897,918)	-	(403,465)	(1,301,383)
Net cash provided by operating activities	<u>1,868,244</u>	<u>73,577</u>	<u>178,490</u>	<u>2,120,311</u>
Cash flows from noncapital financing activities				
Transfers from (to) other funds	(864,101)	(126,055)	89,283	(900,873)
Proceeds from noncapital grant	18,750	-	-	18,750
Net cash provided by (used in) noncapital financing activities	<u>(845,351)</u>	<u>(126,055)</u>	<u>89,283</u>	<u>(882,123)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(1,309,125)	(13,650)	(241,328)	(1,564,103)
Principal payments notes payable	(634,607)	-	-	(634,607)
Principal payments on bonds payable	(1,635,000)	-	-	(1,635,000)
Interest paid	(40,274)	-	-	(40,274)
Proceeds from capital grants	1,508,275	66,028	-	1,574,303
Proceeds from note payable	422,024	-	-	422,024
Capital contributions	43,252	-	-	43,252
Net cash provided by (used in) capital and related financing activities	<u>(1,645,455)</u>	<u>52,378</u>	<u>(241,328)</u>	<u>(1,834,405)</u>
Cash flows from investing activities				
Investment earnings	4,554	-	2,416	6,970
Net increase (decreases) in cash and cash equivalents	<u>(618,008)</u>	<u>(100)</u>	<u>28,861</u>	<u>(589,247)</u>
Equity in pooled cash and cash equivalents				
beginning of year	4,642,050	100	1,200,817	5,842,967
Equity in pooled cash and cash equivalents				
end of year	<u>\$ 4,024,042</u>	<u>\$ -</u>	<u>\$ 1,229,678</u>	<u>\$ 5,253,720</u>
Noncash capital and related financing activity:				
Contribution of capital assets from Infrastructure Fund	\$ 170,119	\$ -	\$ -	\$ 170,119

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(Continued)

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,728,422	\$ (206,768)	\$ 54,085	\$ 1,575,739
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	821,181	329,909	109,028	1,260,118
Changes in certain assets and liabilities:				
Accounts receivable	(299)	(12,587)	20,305	7,419
Due from other governments	-	11,056	-	11,056
Inventories	12,002	-	-	12,002
Accounts payable and accrued liabilities	(759,064)	(2,189)	(18,089)	(779,342)
Compensated absences	(9,599)	-	11,319	1,720
Other post-employment benefits	6,142	-	1,842	7,984
Unearned revenue - current	-	(45,000)	-	(45,000)
Deposits	69,459	(844)	-	68,615
Net cash provided by operating activities	<u>\$ 1,868,244</u>	<u>\$ 73,577</u>	<u>\$ 178,490</u>	<u>\$ 2,120,311</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2014**

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 323,134
Receivables:	
Contribution receivable:	
State of Florida	97,691
Accrued income	25,773
Total receivables	<u>123,464</u>
Prepaid benefit payments	41,509
Investments, at fair market value:	
Multi-sector fixed income mutual funds	197,804
Mutual funds	304,458
U.S. government securities	101,123
U.S. government and agencies	567,705
U.S. government agencies - mortgage backed securities	110,024
Corporate bonds	1,714,061
Corporate and foreign bonds	811,454
Municipal bonds	71,706
Common equity securities	6,654,596
Total investments	<u>10,532,931</u>
Total assets	<u>11,021,038</u>
Liabilities	
Due to broker	24,566
Unearned pension contribution	42,358
Total liabilities	<u>66,924</u>
Net position restricted for pensions	<u><u>\$ 10,954,114</u></u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Pension Trust Funds
Additions	
Contributions:	
City	\$ 472,083
Plan members	41,923
State of Florida	97,691
Total contributions	611,697
Investment income	1,084,412
Less investment expenses:	
Investment management fees	44,517
Custodial fees	8,325
Performance evaluation fees	27,125
Total investment expenses	79,967
Net investment income	1,004,445
Total additions	1,616,142
Deductions	
Administrative expenses	125,738
Payments to retirees and participants	506,158
Total deductions	631,896
Net increase in net position	984,246
Net position restricted for pensions:	
Beginning of year	9,969,868
End of year	\$ 10,954,114

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting Entity**—The City, a municipality under the laws of the State of Florida, is located in Highlands County and is approximately 8.1 square miles in area. It was first incorporated in 1926 when Florida Law Chapter 12512 approved its original charter. In 1931, it was re-established as a municipal government when its present charter was approved by the voters at a general referendum and by the Laws of Florida 14622 and the Act of 1929. The City Council is comprised of the Mayor and four City Council persons. The City provides public safety, public works, recreation, and general government services to its approximately 9,000 residents. The City also operates water and wastewater, airport, and solid waste enterprises.

The accompanying financial statements include all those separately administered departments and funds for which the City has financial accountability. In evaluating the City as a reporting entity, management has addressed all potential component units (legally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Organizations for which the City is not financially accountable are also included when doing so is necessary in order to prevent the City's financial statements from being misleading.

The component unit discussed in the following paragraph is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

The Community Redevelopment Agency of the City of Avon Park (the CRA) was created on April 8, 1996, pursuant to Florida Statute 163.356, by the passage of City Ordinance No. 7-96 and is responsible for the redevelopment of defined areas within the city limits. The City Council serves as the board of commissioners for the CRA. Although the CRA is legally separate, it meets the criteria for blending and is presented as a governmental fund of the primary government. Separate financial statements for the CRA are not issued. The City and County are obligated to pay the CRA any tax revenues relating to an increase in the assessed value of the property within the redevelopment areas. The City's payment to the CRA is reported as a transfer between funds.

Related Organizations

The City Council is responsible for appointing the board members of the Avon Park Housing Authority (the Authority), but the City's accountability for this organization does not extend beyond making the appointments. The Authority is a related organization of the City and not a component unit.

(b) **Measurement Focus and Basis of Accounting**—The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. 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.

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. Under the accrual basis of accounting, revenues, expenses, gain, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, and as a whole they reduce the cost of the function to be financed from the government's general revenues. Program revenues include charges for services, program specific operating grants and contributions, and program specific capital grants and contributions. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between the government's water and sewer, airport, and solid waste functions 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.

The City's pension trust funds are presented in the fund financial statements by type (fiduciary). Since these assets are being held for the benefit of others (plan members) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government, which are comprised of governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and proprietary funds. The fiduciary statement includes financial information for the pension trust funds.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from unrestricted resources.

Governmental Funds

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 collected 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. Property taxes, intergovernmental revenues and interest earned associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. All other revenue items are considered to be measurable only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Under the current financial resources measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grants, investment earnings and miscellaneous other revenues result from nonexchange transactions or ancillary activities. Operating expenses for proprietary funds include personal services, materials, supplies, other services, and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Basis of Presentation

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The City has used GASB Statement No. 34 minimum criteria for major fund determination. Major governmental funds are reported as separate columns in the fund financial statements.

The City considers the CRA Fund important to financial statement users because of the requirement in Section 163.387(8), Florida Statutes, for the CRA district to have an audit. Therefore, the CRA Fund is reported as major even though the quantitative criteria has not been met.

The following is a brief description of the funds used by the City.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

Governmental Major Funds

General Fund - This fund is the City's primary operating fund and accounts for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from local property and utilities service taxes, franchise fees, licenses and permits, intergovernmental revenue, and charges for services. Expenditures are incurred to provide public safety, general government, physical environment, and recreational services.

Infrastructure Fund - This special revenue fund accounts for the one cent local option sales tax. The proceeds for this surtax may only be expended on assets specified by statutes.

CRA Funds - This special revenue fund is used to account for additional ad valorem taxes resulting from an increase in the assessed value above a designated base year of property within the Main Street, South Side and Airport redevelopment areas.

Non-major Governmental Fund

Community Development Block Grant (CDBG) Fund - This special revenue fund is used to account for the proceeds of certain revenue sources that are legally restricted for expenditure of specific purposes. The City has established the Community Development Block Grant Fund, which is used to account for a federal grant passed through the State of Florida used for housing rehabilitation.

Proprietary Major Funds

Water and Sewer Fund - This fund accounts for the facilities and administration relating to residential and commercial water and sewer services provided to customers inside and outside of city limits. This fund includes long-term debt related to these utilities.

Airport Fund - This fund accounts for the operations and facilities at the City owned airport. This fund includes rental properties and debt for the related buildings and facilities.

Solid Waste Fund - This fund accounts for the facilities and operations relating to the sanitary disposal of solid waste including outstanding related debt.

Other Fund Types

Pension Trust Funds - These funds account for financial activity of the pension plans for policemen and firemen of the City. The City's Pension Trust Funds are the Police Officers' Retirement System and the Firefighters' Retirement System. Each plan is administered by a board of trustees.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

Non-current Governmental Assets/Liabilities

GASB Statement No. 34 requires non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net position.

(a) **Budgets and Budgetary Accounting**—Budgets are prepared for General, Infrastructure, CDBG, and CRA Funds on a basis consistent with the basis of accounting utilized for the respective funds, the modified accrual basis of accounting.

The City also adopts operating budgets for the Enterprise Funds on a modified accrual basis, which is not the same basis of accounting as that used to account for actual results of operation (accrual basis). The primary differences between the budgetary basis and the basis used to account for the results of operations are that the City budgets capital outlays and debt service payments, which include principal payments.

Budgets are not prepared for the Pension Trust Funds.

The legal level of budgetary control is at the department level.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds except the Pension Trust Funds. Encumbrances are not the equivalent of expenditures and lapse at year-end.

Reconciliation of Government-wide and Fund Financial Statements—Explanation of Differences Between the Governmental Fund Balance Sheet and the Government Wide Statement of Net Position:

"Total" fund balances of the City's governmental funds of \$5,450,580 differs from "net position" of governmental activities, \$13,909,087, reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Explanation of Differences Between the Governmental Fund Operating Fund Operating Statement and the Statement of Activities:

The "net change in fund balances" for governmental funds, an increase of \$592,719, differs from the "change in net position" for governmental activities, an increase of \$379,216, reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

Reclassification and Eliminations

Transfers in and transfers out in the amount of \$10,305 between governmental activities were eliminated. Advances to and advances from in the amount of \$464,515 between business-type activities were also eliminated.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(b) **Cash and Cash Equivalents**—The City considers cash and cash equivalents to be cash on hand, cash in banks, and short-term investments with maturities less than three months when acquired, including restricted assets.

Cash balances from the majority of funds are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. The investment pools are managed such that all participating funds have the ability to deposit and withdraw cash as if they were demand deposit accounts and, therefore, all balances representing participant's equity in the investment pools are classified as cash equivalents for purposes of these financial statements.

For purposes of the statement of cash flows, each fund's equity in the investment pool is considered to be a cash equivalent since deposits and withdrawals can be made at any time without prior notice or penalty.

(c) **Investments**—Investments are stated at fair value, except for short-term investments, which are stated at amortized cost. Fair value is based on quoted market price or the best available estimate.

(d) **Receivables**—Receivables are shown at their net realizable value and reduced by an allowance for those uncollectible accounts, where determined by management. Uncollectible accounts are those 120 days old and greater.

(e) **Inventories**—Inventories are stated at cost, which is not in excess of market. Cost is determined on a weighted average method.

(f) **Restricted Assets**—Certain proceeds of Enterprise Fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited to applicable bond covenants or city ordinance.

(g) **Prepaid Items**—Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items.

(h) **Interfund Transactions**—Interfund transactions are accounted for in the following manner:

Transactions for services rendered are recorded as revenues in the receiving fund and as expenditures in or expenses (as appropriate) in the disbursing fund.

Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures or expenses (as appropriate) in the disbursing fund and as a reduction of expenditures or expenses (as appropriate) in the receiving fund; and transactions to shift revenues from the fund budgeted to receive them to the fund budgeted to expend them are recorded as operating transfers in and out, respectively.

Transfers are reported in the "Other Financing Sources (Uses)" section in the statement of revenues, expenditures, and changes in fund balances and in the "Operating Transfers" section in the statement of revenues, expenses, and changes in fund net position. As of fiscal year-end, any unpaid amounts related to these transactions are reported as due to/from other funds on the balance sheet. Long-term interfund loans are classified as advances to/from other funds.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **Capital Assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, rights-of-way, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Only the infrastructure assets acquired or constructed beginning in the fiscal year 2004 are reported and depreciated. Retroactive reporting of infrastructure assets prior to the fiscal year 2004 will not be implemented in accordance with the provisions of GASB Statement No. 34.

Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual is not available. Donated capital assets are recorded at estimated fair value at the date of donation. Prior to 1985, land, building improvements, and equipment were recorded on either a cost basis where known, or on an estimated cost basis based on discounted independent appraisals.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life and are not capitalized.

Capital assets acquired by lease/purchase agreements or multiple year installment purchase contracts are recorded in the governmental funds in the year acquired as capital outlay expenditures and as other financing sources in the amount of the discounted present value of the total stipulated payments.

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

Infrastructure	30 years
Buildings	10 to 30 years
Plant and Improvements Other than Buildings	5 to 40 years
Equipment	3 to 20 years

(j) **Unearned Revenues**—Unearned revenue arises only when the City receives resources before it has a legal claim to them. Governmental Funds report unearned revenue in connection with resources that have been received, but not yet earned.

Revenues in the Proprietary Funds which have not been earned are reported in accordance with the accrual basis of accounting as unearned revenue. The unearned revenue will be recognized as revenues in the fiscal year in which they are earned.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Compensated Absences**—Upon separation of service, regular full-time employees receive payment for vacation time earned but not used at their last rate of pay as follows:

- General government employees will be paid up to a maximum of twice the employee's annual accrual.
- Police officers will be paid up to a maximum of 240 hours.
- Firefighters will be paid up to a maximum of 480 hours.

City manager and department heads are not limited and will be paid in full unless under a contractual agreement. Currently, the City manager and three department heads are under contractual agreement. The maximum paid at separation of service in accordance with those contracts ranges from 500 to 700 hours.

Upon separation of service, regular full-time employees receive payment for sick leave earned but not used at their last rate of pay as follows:

- General government employees shall be paid for one-half of the accumulated unused sick leave up to a maximum of 480 hours after 10 years of service or death.
- Police officers and firefighters shall be paid for one-half of the accumulated unused sick leave up to a maximum of 480 hours at retirement or death.
- Employees under contractual agreements shall be paid in accordance with their agreement. Current agreements stipulate 0.5% to 100% of accumulated unused sick leave up to a maximum range of 300 to 600 hours.

Compensated absences are reported in governmental funds only if the absences have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). As accumulated sick and annual leave would not be liquidated with expendable available resources, a long-term liability of accrued sick and annual leave has been recorded in the government-wide statement of net position at September 30, 2014, representing the City's commitment to fund such costs from future operations. The liability for compensated absences is liquidated in the fund in which an employee's payroll expense is normally recorded. The general fund has been used in prior years to liquidate the liability for compensated absences in governmental funds.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Pension Plans**—The City has pension plans covering substantially all of its full-time employees. It is the policy of the City to fund pension costs for defined benefit plans on an actuarial basis, which includes amortization of prior service costs, and to fund defined contribution plans as pension costs accrue.

(m) **Retiree Health Insurance**—Health insurance is available to retired employees at the retirees' cost. No life insurance is provided for retired employees. The general fund has been used in prior years to liquidate the liability for retiree health insurance in governmental funds.

(n) **Long-term Obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

(o) **Fund Equity Policy**—The City's policy for fund balance/net position of the general fund and enterprise funds is to maintain minimum fund balance equal to 20% of the current year operating expenditure and transfers out budgeted for each fund, exclusive of depreciation. If prior committed or assigned fund balance causes the unassigned fund balance to fall below 20%, the City shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(p) **Property Tax Revenues**—Ad valorem taxes for the current fiscal year (beginning October 1, 2013) are assessed on July 1, 2013 based on property values of January 1, 2013. The taxes are billed in the month of November 2013 by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due November 1, 2013 (levy date) and become delinquent April 1, 2014. Tax certificates are issued for delinquent taxes by June 1, 2014 (lien date). Generally, the City collects substantially all of its current year property taxes during the year in which they are due.

(q) **Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States, as applicable to governmental entities, requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

(r) **Government-wide and Proprietary Fund Net Position**—Government-wide and proprietary fund net position is divided into three categories:

- *Net investment in capital assets* – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.
- *Restricted net position* – consist of amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government, and contributors), through constitutional provisions, by enabling legislation, or contributor restrictions.
- *Unrestricted* – all other net position are reported in this category.

(s) **Governmental Fund Balances**—In the governmental fund financial statements, fund balances are classified as follows:

- *Nonspendable* — amounts that are not in spendable form (such as inventory or prepaid items) or are required to be maintained intact.
- *Restricted* — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed* — amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority, the City Council. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- *Assigned* — amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- *Unassigned* — amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Disbursements of fund balance will first be made from restricted amounts when both restricted and unrestricted fund balance is available. Additionally, the City will first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(2) **Deposits and Investments:**

Deposits—At September 30, 2014, the carrying amount of the City's deposits was \$8,775,056 and the bank balance was \$8,545,631. The difference between these two balances is created by timing differences due to the float on disbursements which have not cleared the bank. The City also had \$1,571 cash on hand at September 30, 2014.

Investments—As of September 30, 2014, the City's investments were \$12,379,692. The following is a reconciliation of deposits and investments to amounts shown on the statement of net position and statement of fiduciary net position:

Deposits	\$ 8,775,056
Cash on hand	1,571
Investments	12,379,692
Total	\$ 21,156,319
Statement of Net Position:	
Equity in pooled cash and cash equivalents	\$ 10,300,254
Statement of Fiduciary Net Position:	
Cash and cash equivalents	323,134
Investments	10,532,931
Total	\$ 21,156,319

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 18 months. Investments of other non-operating funds shall have a term appropriate to the need for funds and in accordance with restrictions in the governing document, but in no event shall exceed 10 years. As of September 30, 2014, the City had the following investments in debt securities and related maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Governmental and Business-type Activates:					
SBA Florida PRIME	\$ 1,846,761	\$ 1,846,761	\$ -	\$ -	\$ -
Fiduciary:					
Multi-sector fixed income mutual funds	197,804	-	-	197,804	-
Mutual Fund	304,458	-	304,458	-	-
U.S. Government securities	101,123	-	69,837	31,286	-
U.S. Government and agencies	567,705	-	421,815	145,890	-
Mortgage-backed securities	110,024	-	13,629	6,989	89,406
Corporate and foreign bonds	2,525,515	76,043	1,002,648	1,163,421	283,403
Municipal bonds	71,706	-	-	-	71,706
Total fair value	\$ 5,725,096	\$ 1,922,804	\$ 1,812,387	\$ 1,545,390	\$ 444,515

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(2) **Deposits and Investments:** (Continued)

Credit Risk. Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy minimizes credit risk by limiting the maximum percentage that may be invested in any one entity or instrument at any one time. Presented below is the actual rating as of September 30, 2014 for each type of investment in debt securities.

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Market Value</u>
Governmental and Business-Type Activities:		
SBA Florida PRIME	AAAm	\$ 1,846,761
Fiduciary:		
Mutual funds	Not rated	502,262
U.S. Government and agencies	AAA to AA+	729,005
U.S. Government and agencies	Not rated	49,847
Corporate and foreign bonds	AAA to AA-	1,796,192
Corporate and foreign bonds	BBB+ to BBB-	684,279
Corporate and foreign bonds	Not rated	45,044
Municipal bonds	AAA to AA	71,706
Corporate stocks	Not rated	6,654,596
Total		<u>\$ 12,379,692</u>

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

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

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

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

The City invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration of Florida (SBA) under the regulatory oversight of the State of Florida. At September 30, 2014, the carrying amount of the City's investment was \$1,846,761.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(2) **Deposits and Investments:** (Continued)

Florida PRIME is considered to be a SEC 2a-7 like fund and is reported, at amortized cost, as a cash equivalent. The weighted average days to maturity (WAM) of the Florida PRIME as of September 30, 2014 was 39 days.

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

Foreign Currency Risk. The City is not exposed to any foreign currency risk.

(3) **Receivables:**

Receivables as of September 30, 2014 for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental	Business-type Activities			Total
	Activities	Water and	Airport	Solid	
	General	Sewer		Waste	
Utility and franchise taxes	\$ 130,013	\$ -	\$ -	\$ -	\$ 130,013
Code enforcement	25,706	-	-	-	25,706
Customer charges	-	800,527	29,993	154,177	984,697
Miscellaneous	6,757	-	-	-	6,757
Gross receivables	162,476	800,527	29,993	154,177	1,147,173
Allowance for doubtful accounts	(26,468)	(286,290)	(16,208)	(100,203)	(429,169)
	<u>\$ 136,008</u>	<u>\$ 514,237</u>	<u>\$ 13,785</u>	<u>\$ 53,974</u>	<u>\$ 718,004</u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(4) **Capital Assets:**

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 316,174	\$ -	\$ -	\$ 316,174
Construction in progress	38,199	176,127	6,350	207,976
Total capital assets not being depreciated	<u>354,373</u>	<u>176,127</u>	<u>6,350</u>	<u>524,150</u>
Capital assets, being depreciated:				
Buildings	5,622,420	-	-	5,622,420
Equipment	3,965,490	67,298	320,546	3,712,242
Infrastructure	6,068,560	80,936	-	6,149,496
Total capital assets being depreciated	<u>15,656,470</u>	<u>148,234</u>	<u>320,546</u>	<u>15,484,158</u>
Less accumulated depreciation for:				
Buildings	(2,725,113)	(194,097)	-	(2,919,210)
Equipment	(2,985,849)	(253,260)	(261,387)	(2,977,722)
Infrastructure	(1,245,195)	(210,679)	-	(1,455,874)
Total accumulated depreciation	<u>(6,956,157)</u>	<u>(658,036)</u>	<u>(261,387)</u>	<u>(7,352,806)</u>
Total capital assets being depreciated, net	<u>8,700,313</u>	<u>(509,802)</u>	<u>59,159</u>	<u>8,131,352</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 9,054,686</u></u>	<u><u>\$ (333,675)</u></u>	<u><u>\$ 65,509</u></u>	<u><u>\$ 8,655,502</u></u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 883,360	\$ -	\$ -	\$ 883,360
Construction in progress	1,943,692	25,650	1,702,952	266,390
Total capital assets not being depreciated	<u>2,827,052</u>	<u>25,650</u>	<u>1,702,952</u>	<u>1,149,750</u>
Capital assets, being depreciated:				
Buildings and system	34,482,109	3,045,414	-	37,527,523
Equipment	5,209,081	356,914	266,079	5,299,916
Total capital assets being depreciated	<u>39,691,190</u>	<u>3,402,328</u>	<u>266,079</u>	<u>42,827,439</u>
Less accumulated depreciation for:				
Buildings and system	(17,428,846)	(954,830)	-	(18,383,676)
Equipment	(3,426,144)	(305,288)	(261,308)	(3,470,124)
Total accumulated depreciation	<u>(20,854,990)</u>	<u>(1,260,118)</u>	<u>(261,308)</u>	<u>(21,853,800)</u>
Total capital assets being depreciated, net	<u>18,836,200</u>	<u>2,142,210</u>	<u>4,771</u>	<u>20,973,639</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 21,663,252</u></u>	<u><u>\$ 2,167,860</u></u>	<u><u>\$ 1,707,723</u></u>	<u><u>\$ 22,123,389</u></u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

(4) **Capital Assets:** (Continued)

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 78,933
Public safety	212,149
Transportation	234,611
Culture and recreation	132,343
Total depreciation expense	<u><u>\$ 658,036</u></u>

Business-type Activities:

Water and sewer	\$ 821,181
Airport	329,909
Solid waste	109,028
Total depreciation & amortization expense	<u><u>\$ 1,260,118</u></u>

(5) **Commitments:**

(a) **Construction Commitments** – At September 30, 2014 the City had construction commitments totaling \$99,881 related to its joint project with Southwest Florida Water Management District storm water drainage projects for Lake Tulane and Lake Isis.

(b) **Encumbrances** – Other significant commitments include encumbrances outstanding as shown below:

Infrastructure Fund	\$ 20,175
Water and Sewer Fund	7,583
	<u><u>\$ 27,758</u></u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(6) Long-Term Liabilities:

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Capital lease obligation	\$ 150,746	\$ -	\$ 150,746	\$ -	\$ -
Compensated absences	281,614	109,458	158,853	232,219	197,400
Other post-employment benefits	90,708	7,678	-	98,386	-
Total Governmental Activities					
Long-term Liabilities	<u>\$ 523,068</u>	<u>\$ 117,136</u>	<u>\$ 309,599</u>	<u>\$ 330,605</u>	<u>\$ 197,400</u>
Business-type Activities:					
Notes payable	\$ 212,583	\$ 422,024	\$ 634,607	\$ -	\$ -
Revenue bond payable	1,635,000	-	1,635,000	-	-
Bond discount	(21,479)	-	(21,479)	-	-
Compensated absences	76,294	88,004	86,284	78,014	66,400
Other post-employment benefits	42,141	7,984	-	50,125	-
Total Business-type Activities					
Long-term Liabilities	<u>\$ 1,944,539</u>	<u>\$ 518,012</u>	<u>\$ 2,334,412</u>	<u>\$ 128,139</u>	<u>\$ 66,400</u>

(7) Other Postemployment Benefits:

The City of Avon Park does not offer a postemployment benefit plan to its employees. However, Florida State 112.0801 requires that public employers offer health insurance benefits at the current group rates to retirees (at their own expense) from the date of retirement. This requirement creates an implicit rate subsidy that falls under the requirements of GASB Statements No. 43 and No. 45.

Plan Description—The City of Avon Park administers a single-employer defined benefit healthcare plan (the Retiree Benefit Plan). The plan provides postemployment healthcare benefits through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through City policy as approved by City Council. The Retiree Benefit Plan does not issue a publicly available financial report. As of October 1, 2012, the most recent actuarial valuation date, the Plan had approximately 58 active participants and 5 retiree/spouses receiving benefits.

Eligibility for the plan requires only that the participant retire at the normal or early retirement age as defined by the pension plans discussed further at Note 12.

Funding Policy—Contribution requirements are set by City policy as approved by City Council. The City has not advance funded or established a funding methodology for the Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Retiree Benefit Plan is financed on a pay-as-you-go basis. Retired participants pay 100% of the active premium. In fiscal year 2014, the City made no contributions to the plan, however the City's implied subsidy towards other postemployment benefit obligations is \$16,597.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

(7) **Other Postemployment Benefits:** (Continued)

Annual OPEB Cost and Net OPEB Obligation—The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year, the estimated amount actually contributed to the plan, and changes in the City’s net OPEB obligation.

Annual required contribution (ARC)	\$	34,725
Interest on net OPEB obligation		5,893
Adjustment to the ARC		<u>(8,359)</u>
Annual OPEB Cost		32,259
Estimated contributions made		<u>(16,597)</u>
Increase in net OPEB obligation		15,662
Net OPEB obligation, beginning of year		<u>132,849</u>
Net OPEB obligation, end of year	\$	<u><u>148,511</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three most recent years are as follows:

Year Ending September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 32,259	51.3%	\$ 148,511
2013	35,667	56.1%	132,849
2012	55,897	28.0%	117,185

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(7) **Other Postemployment Benefits:** (Continued)

Funded Status and Funding Progress—As of October 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$284,853, all of which was unfunded (or 0% funded). Covered payroll was \$2,384,563 and the unfunded actuarial accrued liability as a percentage of covered payroll was 12%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the October 1, 2012 actuarial valuation, the Entry Age Normal (level % of pay) actuarial cost method was used.

The actuarial assumptions included a 4.5% investment rate of return (discount rate) and an annual health care cost trend rate of 8.5% initially (2013), reduced by increments of 1% per year until reaching an ultimate trend rate of 4.5% in 2017. The unfunded actuarial liability is being amortized over a closed 30-year period using a level percentage of payroll with an assumption of no payroll increases. The remaining amortization period of the initial unfunded actuarial liability is 26 years.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

(8) **Risk Management:**

Risk Pool

The City entered into an agreement with other political subdivisions to create a local government risk management pool called Public Risk Management of Florida (PRM). PRM was organized to develop and administer a Protected Self-Insured Retention Program of property and casualty coverage for its member organizations. PRM provides the City with coverage from risks in the areas of property, automobile, general liability, workmen's, compensation, and public officials' liability. PRM is a total risk and cost sharing pool for its members. PRM uses specific excess insurance to cover losses above predetermined self-insured retention levels and aggregate excess insurance to protect the loss fund in the event it becomes exhausted. Premiums are paid by the General Fund and are reimbursed from other funds for their share. The City does not have any claim liability in addition to premiums paid to PRM.

PRM issues a separate financial report that includes financial statements and required supplementary information.

(9) **Interfund Receivables and Payables:**

Individual interfund receivable and payable balances at September 30, 2014 were as follows:

Receivable Fund	Payable Fund	Amount
Advance to/from Other Funds:		
General Fund	Airport Fund	\$ 139,781
Solid Waste Fund	Airport Fund	464,515
		\$ 604,296

The outstanding loan from the General Fund to the Airport Fund of \$139,781 was used to pay off a note payable to a bank in order to reduce the City's overall borrowing costs. The loan from Solid Waste Fund to the Airport Fund of \$464,515 is a result of prior years operating losses.

(10) **Transfers:**

Transfers during the year ended September 30, 2014 consisted of the following:

<u>Transfer Out:</u>	Transfer In:			<u>Total</u>
	General Fund	CRA Funds	(Non-major) CDBG	
General Fund	\$ -	\$ 5,052	\$ 5,253	\$ 10,305
Water and Sewer	825,000	-	-	825,000
Airport Fund	21,625	-	-	21,625
	\$ 846,625	\$ 5,052	\$ 5,253	

Transfers are used to 1) move the City's portion of ad valorem taxes the City is legally obligated to pay the CRA funds and 2) provide resources from the City's enterprise operations to its General Fund as a return on the City's investment in the activity.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(10) **Transfers:** (Continued)

During the current year the Infrastructure fund paid for \$170,119 of water system improvements on behalf of the Water and Sewer enterprise fund. In the statement of revenues, expenditures, and changes in fund balances – governmental funds, the \$170,119 is reported as capital outlay; however, in the statement of activities it is reported as a transfer out. For the Water and Sewer enterprise fund, the amount is shown as a capital contribution in the statement of revenues, expenses, and changes in fund net position; however, in the statement of activities it is reported as a transfer in.

(11) **Fund Balance Restrictions:**

Restrictions of fund balances for governmental funds at September 30, 2014 are summarized below:

Law Enforcement – The restriction for law enforcement was created to restrict the use of resources deposited into the Law Enforcement Trust Fund. State statutes require that the resources be restricted.

Bouis Fountain – The restriction for Bouis Fountain was created to restrict the use of resources contributed to the maintenance of this fountain located on Main Street. The restriction was mandated by donor agreement.

Infrastructure – The restriction for infrastructure was created to restrict the use of resources from the proceeds of the one cent local option sales tax. State statutes require that the resources be restricted.

Community Redevelopment – The restriction for community redevelopment was created to restrict the use of resources deposited into the CRA Funds. State statutes require that the resources be restricted.

(12) **Employee Retirement Systems and Pension Plans:**

Substantially all full-time employees of the City of Avon Park are covered by one of four pension plans:

Police Officers' Retirement System (PORS)

Plan Description

All full-time police officers who are certified as a police officer as a condition of employment, excluding civilian, clerical and other employees of the City's police department, participate in the PORS, a single-employer, defined benefit pension plan that was established by City Ordinance 406 on August 24, 1959 in accordance with Chapter 185, Florida Statutes, and is currently governed by city ordinance as amended from time to time and administered by the PORS Board of Trustees. PORS provides retirement, disability and death benefits to plan members and their beneficiaries. The City Council by ordinance maintains the authority to establish new and amend existing benefit provisions of the plan. The PORS is reported in the City's fiduciary financial statements as a Pension Trust Fund.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

(12) **Employee Retirement Systems and Pension Plans:** (Continued)

Firefighters' Retirement System (FFRS)

Plan Description

All full-time officers and firefighters of the City's fire department participate in the FFRS, a single-employer, defined benefit pension plan that was established by City Ordinance 363 on September 14, 1953 in accordance with Chapter 175, Florida Statutes and is currently governed by city ordinance as amended from time to time and administered by the FFRS Board of Trustees. FFRS provides retirement, disability, and death benefits to plan members and their beneficiaries. The City Council by ordinance maintains the authority to establish new and amend existing benefit provisions of the plan. The FFRS is reported in the City's fiduciary financial statements as a Pension Trust Fund.

Publicly Available Reports

Both the PORS and FFRS issue a publicly available stand-alone financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to The City of Avon Park, City Manager, 110 E. Main Street, Avon Park, FL 33825, or calling 863-452-4400.

Funding Policy and Annual Pension Cost

The City Council establishes and may amend the contribution requirements of plan members. The City, taking into account the state contribution, is required by city ordinance and state statutes to make additional contributions to fund the pension plans on an actuarially sound basis and at a minimum must contribute 5% of employee compensation. The amounts contributed by the State to the PORS represents the City's portion of an .85% tax on all premiums collected on casualty insurance policies on property within the City and for the FFRS is a 1.85% tax on all premiums collected on property insurance policies covering property within the City. The City, for funding purposes, is limited by state statutes on the amount of the state contribution that can be credited toward the annual required contribution. The maximum amounts for the current fiscal year that can be credited for funding purposes to the PORS and FFRS were \$59,657 and \$37,096, respectively. Administrative costs for each plan are financed through investment earnings. Information related to annual required contributions and actuarial assumptions used for those contributions for the year ended September 30, 2014 is as follows:

	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>
Contribution rates as of 9/30/2014:		
City and State	\$178,966	\$379,179
Plan members	5.0%	5.0%
Actuarially determined contribution	\$178,966	\$379,179
Contribution made	\$178,966	\$379,179

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

(12) **Employee Retirement Systems and Pension Plans:** (Continued)

Funding Policy and Annual Pension Cost (Continued)

	Police Officers' Retirement System	Firefighters' Retirement System
Actuarial valuation date	10/1/2012	10/1/2012
Actuarial cost method	Entry age normal	Entry age frozen
Amortization method	Level dollar, closed	Level % of pay, closed
Remaining amortization period	30 years as of 10/1/2012	26 years as of 10/1/2012
Asset valuation method	4 Year Smoothed Market	4 Year Smoothed Market
Actuarial assumptions (as of 10/1/2012):		
Investment rate of return	8.00%	7.75%
Projected salary increases *	6.00%	6.00%
* Includes inflation at	3.00%	3.00%
Post retirement cost of living adjustments	1.46%	3.00% **

** The COLA is payable at age 58 for five years.

	Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Police Officers' Retirement System	2014	\$ 183,836	97.4%	\$ (79,114)
	2013	354,599	98.5%	(83,984)
	2012	327,175	98.3%	(89,154)
Firefighters' Retirement System	2014	\$ 381,091	99.5%	\$ (54,496)
	2013	315,523	99.3%	(56,408)
	2012	292,453	99.3%	(58,717)

The funded status of each plan as of the most recent actuarial valuation date, October 1, 2013, is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b – a)/c)
Police	\$ 5,627,686	\$ 5,769,186	\$ 141,500	97.6%	\$ 161,890	87.4%
Fire	4,017,715	5,766,581	1,748,866	69.7%	709,877	246.4%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(12) **Employee Retirement Systems and Pension Plans:** (Continued)

Significant Accounting Policies

- (a) **Basis of Accounting**—City of Avon Park’s financial statements for both pension trust funds are prepared using the accrual basis of accounting for fiduciary funds. Employer and plan member contributions are recognized as revenue in the period that contributions are due and payable in accordance with the terms of the plan. Benefits and refunds are recognized when due and payable in accordance with terms of each plan.
- (b) **Method Used to Value Investments**—Investments in both plan funds are reported at fair value according to the independent custodian for each plan using various third party pricing sources. Short-term investments are reported at cost, which approximates fair value.
- (c) **Contribution Requirements and Contributions Made**—Florida Legislature, City Council and each Pension Board govern the City and employee contribution requirements for both plans. The City’s contribution to the plans is an actuarially determined periodic amount that increases gradually over time so that sufficient assets will be available to pay benefits when due. The employees’ contributions to the Firefighters’ Retirement Trust Fund and Police Officers’ Retirement Trust Fund were each 5% for the fiscal year 2014.
- (d) **Administrative costs**—The costs of administering the pension plans are funded by the respective plan through investment earnings of each plan.

The City receives contributions from the state for the Police Officers’ and Firefighters’ Retirement plans. The City recognized \$97,691 in revenue and related expense in the general fund.

GASB Statement No. 27 requires the computation of a net pension obligation (NPO) or asset which would result if the City’s contributions to the pension funds did not equal the annual pension cost as computed by the plan actuaries. There was no NPO or asset for the cumulative 10-year period prior to implementation or at the transition date for adopting this Statement for any of the City’s plans.

The actuarially determined net pension obligation (NPO) (asset) for the plans at September 30, 2014 are as follows:

	Police Officers’ Retirement System	Firefighters’ Retirement System
	<u> </u>	<u> </u>
Actuarially Required Contribution (ARC)	\$ 178,966	\$ 379,179
Interest on NPO	(6,719)	(4,372)
Adjustments to ARC	11,589	6,284
Annual Pension Cost	<u>183,836</u>	<u>381,091</u>
Contributions Made	<u>178,966</u>	<u>379,179</u>
Increase in NPO	4,870	1,912
NPO (Asset) beginning of year	<u>(83,984)</u>	<u>(56,408)</u>
NPO (Asset) end of year	<u><u>\$ (79,114)</u></u>	<u><u>\$ (54,496)</u></u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(12) **Employee Retirement Systems and Pension Plans:** (Continued)

Florida Retirement System (FRS)

Plan Description—All of the City's full-time and part-time employees working in a regularly established position and not covered by the Police Officers' Retirement System or the Firefighters Retirement System and hired before January 1, 1996 are participants in the FRS, a cost-sharing multiple-employer public retirement system which is controlled by the Florida Legislature and administered by the State of Florida. Department of Management Services, Division of Retirement. FRS provides retirement and disability benefits, assistance in paying health insurance costs, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Statutes of the State of Florida established the plan and its benefit provisions. The benefits can be amended legislatively by the Florida Legislature. Participants can choose from two options: the FRS Pension Plan or the FRS Investment Plan.

The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. That report may be obtained by writing to Division of Retirement, Cedars Executive Center, 2639 N. Monroe Street, Tallahassee, Florida 32399-1560, or by calling 1-850-488-6491.

The Pension Plan provides vesting of benefits after 6 years of creditable service. Regular members are eligible for normal retirement after 6 years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing 6 years of service; however, there is a 5% benefit reduction for each year prior to normal retirement.

The Deferred Retirement Option Program (DROP) is a program that allows the employee to retire without terminating employment for up to five years while retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5% if participation began prior to July 1, 2011 or 1.3% if participation began on or after July 1, 2011. This program is available to eligible members of the Florida Retirement System who are in the FRS Pension Plan. Employee participation in DROP does not change the employee's condition of employment. When the DROP period ends, the employee must terminate employment. At that time, the employee will receive the accumulated DROP benefits and begin receiving monthly retirement benefits. Eligible members may participate in DROP when they are vested (6 years) and have reached the normal retirement date, which is at age 62, or 30 years of service. If an employee completes 30 years of service before the age of 57, the employee may elect to defer the DROP election until age 57.

As of June 1, 2003, the FRS offered members the option of participating in the Florida Retirement System Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the state of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, F.S., establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. The Investment Plan provides vesting of benefits after one year of creditable service. Employees were eligible to make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees may make the election beginning December 1, 2003. New employees may make the election within five months of their month of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by "buying back" into the Pension Plan. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates for the Investment Plan are essentially the same as the Pension Plan.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(12) **Employee Retirement Systems and Pension Plans:** (Continued)

Florida Retirement System (FRS) (Continued)

Funding Policy: The City, at September 30, 2014 is required to contribute 7.37% of their salary for regular members, 19.82% of their salary for special risk members, 21.14% of their salary for senior management and 12.28% of their salary for employees in the DROP. As of July 1, 2011, employees not in the DROP are required to contribute 3% of their salary. The contribution requirements of the City may be changed by the Florida Retirement System. The City's contributions to the Florida Retirement System for the years ended September 30, 2014, 2013, and 2012, were \$16,920, \$12,811, and \$15,941, respectively, equal to the actuarially determined contribution requirements for each year. The employees' contributions to the Florida Retirement System for the years ended September 30, 2014 were \$2,249, equal to the actuarially determined contribution requirements for the year. The City has determined, in accordance with GASB Statement No. 27, that there was no pension liability before or at transition.

Defined Contribution Plan

Plan Description and Contribution Requirements—The City provides pension benefits through a defined contribution plan for all full-time employees hired on or after January 1, 1996 who are not covered by either the Police Officer's Retirement System or the Firefighters' Retirement System. This plan is administered by the Florida Municipal Pension Trust Fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who are at least 18 years of age and have six months of service are eligible to participate in the plan. The resolution adopting the plan requires that the City contribute an amount equal to 10.77% of the employee's salary each month. The City Council by ordinance maintains the authority to establish new and amend existing benefit provisions of the plan and contribution requirements.

The plan also provides for voluntary employee contributions not to exceed 5% of salary. The City's contribution for each employee (and interest allocated to the employee's account) is fully vested after 10 years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before 10 years of service are used to fund the City's current period contribution requirement.

The City's payroll for the year ended September 30, 2014 for eligible employees participating in the plan was \$890,340. The City's total payroll for all employees was \$2,356,154.

As of September 30, 2014, the City's contributions to the plan were \$95,548 on behalf of the 29 employees participating. The total voluntary employee contributions to the plan amounted to \$25,282.

(13) **Deficits:**

The Airport Fund has an unrestricted net position deficit of \$1,148,586 September 30, 2014. This deficit is primarily due to the airport's operating expenses exceeding operating revenues.

(14) **Leases:**

The City is the lessor of various types of industrial buildings and hangars at the airport over periods ranging from month-to-month to 10 years. All of the City's leases are classified as operating leases. For the year ended September 30, 2014 the City received rent revenue from operating leases of \$260,551.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

(14) **Leases:** (Continued)

The following is a schedule for the next five years of minimum future rent revenues from non-cancelable operating leases as of September 30, 2014:

<u>Year Ending September 30</u>	<u>Amount</u>
2015	\$ 91,800
2016	81,000
2017	81,000
2018	81,000
2019	81,000

At September 30, 2014 the value of buildings and hangars held for leasing was as follows:

Cost	\$ 3,661,047
Accumulated depreciation	<u>(1,704,240)</u>
Net book value	<u>\$ 1,956,807</u>

The City has entered into a lease with a tenant on October 1, 2003 which expires on September 30, 2023, unless extended for another 10-year term. The City's lease provides the tenant the option to renew for two additional terms of 10 years. The City also agreed to allow tenant to offset against rent due by 100% of the general improvements and 65% of the tenant use specific improvements made to the premises during the first 10 year lease term, including costs of engineering and financing. Said improvements, engineering and financing shall be prorated over the initial 10-year term of the lease, but shall offset not more than \$45,000 of the rent per year. If tenant is unable to recoup its investments during the initial term, this offset shall continue into successive option terms, if said options are exercised. Any rental reduction for tenant specific improvements will not begin until the second term. At September 30, 2014, \$368,615, \$150,540, and \$67,247 of general improvements, tenant specific improvements, and financing costs, respectively, were available for rental offsets in the future. At September 30, 2014, \$519,155 is reported in the Airport fund as unearned revenue in connection with the rental offsets available to use in the future by the tenant.

(15) **Contingencies:**

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. The City intends to vigorously defend itself, and in the opinion of the City's management, legal counsel, and special legal counsel these matters are not anticipated to have a material financial impact on the City.

(16) **Related Party Transactions:**

During the year the City had the following related party transactions:

The Avanti Company, a business owned by Councilman Heston's brother-in-law, that sells water meters to the City. The meters were procured in compliance with the City's purchasing policies and payments for the year amounted to \$39,175. The Avanti Corporation is the sole provider of the Amco Automated Meter Radio System (AMR Technology). This system has been the standard utilized by the City's water system for well over a decade.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(16) **Related Party Transactions:** (Continued)

Sherco Inc., a business solely owned by Mayor Schuler's spouse that provides land surveying services to the City. The services were procured in compliance with the City's purchasing policies and payments for the year amounted to \$6,335. Mr. Schuler has been and continues to be the only State licensed surveying firm within the City limits of Avon Park.

(17) **Adoption of New Accounting Principles:**

During the year the City's pension trust funds implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local government pension plans.

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PENSION AND OPEB FUNDING PROGRESS
SEPTEMBER 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Normal (b)	Unfunded / (Excess funded) AAL (UAAL) (b - a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll ((b-a)/c))
Police Officers' Retirement Trust						
10/01/13	\$ 5,627,686	\$ 5,769,186	\$ 141,500	97.6 %	\$ 161,890	87.4 %
10/01/12	5,483,504	5,924,414	440,910	92.6	205,197	214.9
10/01/11	5,173,266	5,689,461	516,195	90.9	955,150	54.0
10/01/10	5,268,362	5,555,052	286,690	94.8	1,025,823	27.9
10/01/09	5,172,660	5,147,485	(25,175)	100.5	967,184	-2.6
10/01/08	5,101,456	4,939,141	(162,315)	103.3	1,041,764	-15.6
Firefighters' Retirement Trust						
10/01/13	\$ 4,017,715	\$ 5,766,581	\$ 1,748,866	69.7 %	\$ 709,877	246.4 %
10/01/12	3,594,103	5,475,749	1,881,646	65.6	732,830	256.8
10/01/11	3,329,417	4,967,713	1,638,296	67.0	703,667	232.8
10/01/10	3,449,783	4,651,658	1,201,875	74.2	680,087	176.7
10/01/09	3,254,690	4,322,855	1,068,165	75.3	738,380	144.7
10/01/08	3,370,070	4,129,874	759,804	81.6	738,078	102.9
Other Post Employment Benefit Plan						
10/01/12	\$ -	\$ 284,853	\$ 284,853	- %	\$2,384,563	12 %
10/01/09	-	369,847	369,847	-	N/A	N/A

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND
OTHER CONTRIBUTING ENTITIES
SEPTEMBER 30, 2014**

Police Officers' Retirement System:

Year Ended September 30,	Annual Required Contribution	City Contribution	State Contribution*	Percentage Contributed
2014	\$ 178,966	\$ 130,000	\$ 51,390	101.4 %
2013	349,429	296,360	53,069	100.0
2012	321,686	270,945	50,741	100.0
2011	261,175	208,761	52,414	100.0
2010	223,024	166,953	56,072	100.0
2009	201,391	143,489	57,903	100.0

* Frozen at \$59,657 pursuant to the provisions of Chapter 185, Florida Statutes, and any excess state contribution above the frozen amount can only be used for future benefit enhancements.

Firefighters' Retirement System:

Year Ended September 30,	Annual Required Contribution	City Contribution	State Contribution**	Percentage Contributed
2014	\$ 379,179	\$ 342,083	\$ 37,096	100.0 %
2013	321,425	276,118	37,096	97.4
2012	290,352	253,256	37,096	100.0
2011	208,773	173,380	37,096	100.8
2010	176,439	139,343	37,096	100.0
2009	153,932	117,402	37,674	100.7

** Frozen at \$37,096 pursuant to the provisions of Chapter 175, Florida Statutes, and any excess state contribution above the frozen amount can only be used for future benefit enhancements.

CRA FUNDS

FOLLOWING IS A SCHEDULE OF DEPOSITS AND WITHDRAWALS AS REQUIRED BY SECTION 163.387(8), FLORIDA STATUTES. THIS SCHEDULE PROVIDES A SOURCE FOR ALL DEPOSITS AND A PURPOSE FOR ALL WITHDRAWALS AS PRESCRIBED FOR EACH CRA DISTRICT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2014.

**CITY OF AVON PARK, FLORIDA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - CRA FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Community Redevelopment Agency - Main Street Fund	Community Redevelopment Agency - South Side Fund	Community Redevelopment Agency - Airport Fund	Total CRA Funds
Revenues				
Tax increment revenues:				
Avon Park transfer	\$ 3,358	\$ 666	\$ 1,028	\$ 5,052
Highlands County	79,482	15,753	24,341	119,576
Miscellaneous	3,650	275	-	3,925
Total revenues	<u>86,490</u>	<u>16,694</u>	<u>25,369</u>	<u>128,553</u>
Expenditures				
Personal services	23,321	6,575	6,534	36,430
Professional services	12,196	56,115	5,441	73,752
Miscellaneous	493	831	439	1,763
Repairs and maintenance	12,235	-	-	12,235
Grants and subsidies	80,441	24,157	-	104,598
Capital projects	1,849	-	10,000	11,849
Total expenditures	<u>130,535</u>	<u>87,678</u>	<u>22,414</u>	<u>240,627</u>
Net change in fund balances	(44,045)	(70,984)	2,955	(112,074)
Fund balances, beginning of year	167,485	112,952	136,325	416,762
Fund balances, end of year	<u>\$ 123,440</u>	<u>\$ 41,968</u>	<u>\$ 139,280</u>	<u>\$ 304,688</u>

CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2014

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
Assets			
Cash and cash equivalents	\$ 265,742	\$ 57,392	\$ 323,134
Receivables:			
Contribution receivable:			
State of Florida	51,390	46,301	97,691
Accrued income	16,201	9,572	25,773
Total receivables	<u>67,591</u>	<u>55,873</u>	<u>123,464</u>
Prepaid benefit payments	23,002	18,507	41,509
Investments, at fair market value:			
Multi-sector fixed income mutual funds	-	197,804	197,804
Mutual funds	304,458	-	304,458
U.S. government securities	101,123	-	101,123
U.S. government and agencies	-	567,705	567,705
U.S. government agencies - mortgage back securities	110,024	-	110,024
Corporate bonds	1,714,061	-	1,714,061
Corporate and foreign bonds	-	811,454	811,454
Municipal bonds	71,706	-	71,706
Common equity securities	3,629,190	3,025,406	6,654,596
Total investments	<u>5,930,562</u>	<u>4,602,369</u>	<u>10,532,931</u>
Total assets	<u>6,286,897</u>	<u>4,734,141</u>	<u>11,021,038</u>
Liabilities			
Due to broker	24,566	-	24,566
Unearned pension contribution	-	42,358	42,358
Total liabilities	<u>24,566</u>	<u>42,358</u>	<u>66,924</u>
Net position restricted for pensions	<u>\$ 6,262,331</u>	<u>\$ 4,691,783</u>	<u>\$ 10,954,114</u>

CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
Additions			
Contributions:			
City	\$ 130,000	\$ 342,083	\$ 472,083
Plan members	8,173	33,750	41,923
State of Florida	51,390	46,301	97,691
Total contributions	<u>189,563</u>	<u>422,134</u>	<u>611,697</u>
Investment income	<u>609,480</u>	<u>474,932</u>	<u>1,084,412</u>
Less investment expenses:			
Investment management fees	27,637	16,880	44,517
Custodial fees	4,893	3,432	8,325
Performance evaluation fees	11,625	15,500	27,125
Total investment expenses	<u>44,155</u>	<u>35,812</u>	<u>79,967</u>
Net investment income	565,325	439,120	1,004,445
Total additions	<u>754,888</u>	<u>861,254</u>	<u>1,616,142</u>
Deductions			
Administrative expenses	71,749	53,989	125,738
Payments to retirees and participants	302,555	203,603	506,158
Total deductions	<u>374,304</u>	<u>257,592</u>	<u>631,896</u>
Net increase in net position	380,584	603,662	984,246
Net position restricted for pensions:			
Beginning of year	<u>5,881,747</u>	<u>4,088,121</u>	<u>9,969,868</u>
End of year	<u>\$ 6,262,331</u>	<u>\$ 4,691,783</u>	<u>\$ 10,954,114</u>

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Federal / State Agency / Pass-Through Entity / Federal Program</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Grant Award Amount</u>	<u>Expenditures</u>
FEDERAL AWARDS				
<u>U.S. Department of Housing and Urban Development</u>				
Indirect Programs:				
Pass-through from Florida Dept. of Economic Opportunity Community Development Block Grant	14.228	11DB-C5-07-38-02-H19	\$ 750,000	\$ 177,631
<u>Environmental Protection Agency</u>				
Indirect Programs:				
Pass-through from Florida Dept. of Environmental Protection Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW280400	2,442,927	887,776
<u>U.S. Department of Homeland Security</u>				
Indirect Programs:				
Pass-through from Florida Division of Emergency Management Hazard Mitigation Grant - Airport Drainage Phase 1	97.039	07HM-6@-07-38-06-062	774,855	<u>22,325</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,087,732</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF AVON PARK, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Avon Park, Florida, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Subrecipients:

The City provided no federal awards to subrecipients for the fiscal year ended September 30, 2014.

3. Contingency:

Project expenditures are subject to audit and adjustment. If any expenditure were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable state laws and regulations.



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

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avon Park, Florida (City), as of and for the year ended September 30, 2014, 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 1, 2015. Our report includes a reference to other auditors who audited the financial statements of the pension trust funds, as described in our report on the City's financial statements. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2014-001 to be a material weakness.

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

Compliance and Other Matters

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

City of Avon Park's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Sebring, Florida
June 1, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Avon Park, Florida's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sebring, Florida
June 1, 2015

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS
YEAR ENDED SEPTEMBER 30, 2014**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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 that are not considered to be material weakness(es)? 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 section 510(a) of OMB Circular A-133? yes x no

Identification of Major Federal Programs

CFDA Number(s)

66.468

Name of Federal Program or Cluster

Capitalization Grants for Drinking Water State Revolving Funds

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

\$ 300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133?

 yes x no

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

Section II – Financial Statement Findings

2014-001 – Capital Assets Subsidiary Ledger and Physical Inventory (Previously identified as Finding 2013-003)

Type of Finding

- Material Weakness in Internal Control over Financial Reporting

Condition: The City reported the disposition of an asset that is still owned and in use by the City. Identifying tags are not consistently used for machinery, equipment and similar items.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls to properly record and safeguard of all of the City's capital assets.

Context: Understanding the design and operation of internal controls over capital assets and testing account balances identified the errors.

Effect: The City's capital assets were understated. Inadequate controls to account for and safeguard capital assets could result in other omissions and inaccuracies in the capital asset records due to error or fraud.

Cause: An asset was treated as a disposal in the capital assets subsidiary ledger without documentation to confirm that it was sold. The City assigns each asset an identification number in the subsidiary ledger; however, not all assets are labeled with the corresponding number.

Recommendation: We recommend that the City implement the following procedures for capital assets:

- To improve the accuracy and efficiency of tracking assets for inventory, disposal, and impairment, the City should place an identifying tag on each asset with a number that corresponds to the item number recorded in the detail property records.
- Additions, dispositions, or adjustments to the detail property records should be reviewed for accuracy by an individual separate from the person processing the change. Those changes should be compared to the annual physical inventory results, and any inconsistencies should be reconciled.
- For vehicles and other equipment that has a certificate of title, the inventory list should be reconciled to the titles held by the City.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding. The City will install and utilize permanent metal tags on machinery, equipment and similar items, where the item cost exceeds \$5,000. Moving forward, disposition forms that have been prepared by the Human Resources Manager will be reviewed and signed by the Department supervisor. Additionally, on an annual basis, the City will reconcile its vehicle titles to its asset inventory listing.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2013**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with Section 510(a) of OMB Circular A-133.

MANAGEMENT LETTER

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Avon Park, Florida (City), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 1, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 1, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Our recommendation is included in the accompanying schedule of findings and responses as 2014-003.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. See findings 2014-002 and 2014-004 in the accompanying schedule of findings and responses.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Sebring, Florida
June 1, 2015

**CITY OF AVON PARK
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2014**

STATUS OF PRIOR YEAR FINDINGS

Prior Year Findings		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
2013-001 Review of Journal Entries	Material Weakness	X		
2013-002 Controls over Payroll Processing	Material Weakness	X		
2013-003 - Capital Assets Subsidiary Ledger and Physical Inventory (See current year 2014-001.)	Material Weakness		X	
2013-004 Community Redevelopment Districts (Reported in 2013, 2012, 2011, 2010, and 2009. See current year 2014-002.)	Noncompliance			X
2013-005 - Petty Cash	Control Deficiency	X		
2013-006 - Purchasing Cards	Control Deficiency	X		
2013-007 - Continuing Education for Investments	Noncompliance	X		
2013-008 - Community Development Block Grant - Reporting	Noncompliance	X		
2013-009 - Interfund Loans (See current year 2014-003.)	Financial Management	X		

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2014-002 – Community Redevelopment Districts (Previously Identified as Finding 2013-004)

Condition: The City’s community redevelopment district plans are in certain circumstances ambiguous with the types of expenditures allowed under the plan. In other circumstances, the plans are outdated as it relates to management’s current plans with utilization of community redevelopment funds.

Criteria or Specific Requirement: Sections 163.360, 163.361, and 163.362, Florida Statutes, sets forth the requirements for community redevelopment plans, modification of community redevelopment plans and contents of community redevelopment plans, respectively.

Effect: Certain expenditures could be interpreted as unallowable.

Cause: The plans have not been amended or modified since their respective adoption dates.

Status of Finding: In May 2013, the CRA Board authorized a planning and management resource firm to update all three CRA plans, and funding was allocated for the purpose. During the current year, the plans have been in development; however, they were not complete as of September 30, 2014.

Recommendation: We recommend a comprehensive analysis of all current and future plans. Based on those plans, we recommend the City modify the plans to include more specific reference to the types of expenditures expected to occur within the community redevelopment districts now and in the future.

**CITY OF AVON PARK
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

**2014-002 – Community Redevelopment Districts (Previously Identified as Finding 2013-004)
(Continued)**

Views of Responsible Officials: The City agrees with the finding. At this time the CRA plans continue to move forward. This process has been slow due to the planned expansion of the boundaries of each District. It is the intention of the City to have the updated plans approved by the end of fiscal year 2015.

2014-003 – Interfund Loans (Previously Identified as Finding 2013-009)

Condition: The balance reported as an interfund advance from the Solid Waste Fund to the Airport Fund has not been formally authorized and there are no repayment provisions.

Criteria: Accounting principles generally accepted in the United States of America (GAAP) requires that interfund loans, for which repayment is not expected within a reasonable time, be recorded or reclassified as a transfer between the funds.

Effect: If amounts are not repaid within a reasonable time and the balance is reclassified as a transfer between the funds, the Solid Waste Fund net position will decrease and the Airport Fund net position will increase as a result.

Cause: The City does not have policy that addresses interfund balances.

Recommendation: The City should consider adopting a policy for interfund balances, including short-term receivables and payables, loans and transfers that addresses proper authorization, collectability, and classification. The loan from the Solid Waste Fund to the Airport Fund should be analyzed for collectability. Then, the City should consider adopting a formal repayment plan or writing off of all or part of the outstanding balance.

Views of Responsible Officials: The City agrees with the finding. The interfund loans have been formulized by Resolutions 15-09 and 15-10 in 2015. In addition, the City's accounting manual will be updated to address the authorization, collectability and classification of any interfund loans.

2014-004 – Security for Public Deposits

Condition: The Public Depositor Annual Report to the Chief Financial Officer for the period ended September 30, 2014 was not filed by the regulatory due date.

Criteria or Specific Requirement: Section 280.17(6), Florida Statutes, requires each public depositor to submit an annual report to the Florida Chief Financial Officer by November 30 of each year.

Context: Testing of compliance with Chapter 280 of Florida Statutes identified the condition.

Effect: Section 280.18, Florida Statutes provides protection from loss of public deposit accounts when a depositor is in compliance with Section 280.17, Florida Statutes. If the annual report required by Section 280.17 is not submitted timely, the City may be at risk of loss if the financial institution were to default or become insolvent.

**CITY OF AVON PARK
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

2014-004 – Security for Public Deposits (Continued)

Cause: Management filed the annual report in February 2015.

Recommendation: We recommend that management review the provisions of Chapter 280, Florida Statutes, and establish procedures to ensure that the required forms are completed and submitted timely.

Views of Responsible Officials: The City agrees with the finding. The City has updated the contact information, and the Accounting Specialist has added the recurring appointment to her Outlook Calendar as a reminder to timely complete the report.

2014-005 – GASB 68: Reporting of Pension Liabilities

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015. This pronouncement will substantially change the reporting for pension liability and expense. Change in the pension liability will be immediately recognized as a pension expense or reported as deferred outflows/inflows of resources depending on the nature of the changes. Since actuarial plan information will be crucial in the new reporting requirements, the City should coordinate with the pension plans board and administrator to establish the timeline when information is needed for the City's financial statements. The City should also maintain contact with the plans board and administrator to ensure that information will be available when needed.



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INDEPENDENT ACCOUNTANTS' REPORT

Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

We have examined the City of Avon Park, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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.

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

CliftonLarsonAllen LLP

Sebring, Florida
June 1, 2015