

CITY OF AVON PARK, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019



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**CITY OF AVON PARK, FLORIDA
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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 (the City), as of and for the year ended September 30, 2019, 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. 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.

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

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

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund, Infrastructure Fund, and CRA Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, information on other postemployment benefits on page 78, and information on pension benefits on pages 79 through 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

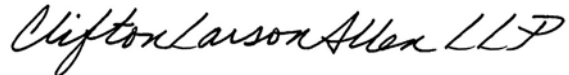
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedule are presented for purposes of additional analysis and are not a required part of the basic financial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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
October 6, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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, 2019.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by \$53.6 million (net position). Of this amount, \$34.5 million represented the City's net investment in capital assets, and \$4.6 million was restricted by laws or capital projects. The remaining \$14.5 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased \$1.1 million from its current year activity, of which \$0.7 million was an increase from governmental activities, and \$0.4 million was an increase from business-type activities.
- As of September 30, 2019, the City reported combined governmental ending fund balances of \$9.9 million, an increase of \$0.9 million from the prior year. In addition, the City reported a combined proprietary fund net position of \$34.9 million, an increase of \$ 0.4 million from the prior year.
- At September 30, 2019, unassigned fund balance (the City's Reserves) for the general fund was \$3.8 million, or 73.4 % of total general fund expenditures. By policy, the City is only required to keep reserves of 20%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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.

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 private-sector businesses.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 reported in this statement for some items may result in cash flows for future fiscal periods.

CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Both government-wide financial statements distinguish functions of the City principally supported by taxes and intergovernmental revenues (governmental activities) from other functions intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, transportation, culture and recreation, and economic environment. 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 used to maintain control over resources 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 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 Fund (Main Street, South Side and Airport), and Community Development Block Grant (CDBG) fund. The General Fund, Infrastructure Fund, and CRA Fund are considered major funds.

The City adopts an annual appropriated budget for its General Fund, Infrastructure Fund, CRA Fund, and CDBG Fund. A budgetary comparison statement has been provided for the General Fund, Infrastructure Fund, CRA Fund, and CDBG Fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary Funds. The City of Avon Park maintains three proprietary funds. Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses proprietary 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

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

operations, airport operations and solid waste operations, all considered major funds of the City. The basic proprietary fund financial statements can be found on pages 25-28 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 29-30 of this report.

Notes to Financial Statements. The notes provide additional information 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 31-77 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 78-86 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 and deferred outflows exceeded liabilities and deferred inflows by \$53.6 million at the close of the most recent fiscal year.

The largest portion of the City's net position, \$34.5 million (64.4%), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt, if any, 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.

An additional portion of the City's net position, \$4.6 million (8.6%), represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$14.5 million (27.0%).

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current & Other Assets	\$10,831,584	\$9,651,460	\$12,261,727	\$10,762,356	\$23,093,311	\$20,413,816
Capital Assets	<u>9,306,591</u>	<u>9,928,025</u>	<u>25,492,830</u>	<u>26,388,654</u>	<u>34,799,421</u>	<u>36,316,679</u>
TOTAL ASSETS	20,138,175	19,579,485	37,754,557	37,151,010	57,892,732	56,730,495
Deferred Outflows of Resources	1,075,383	849,904	604,717	558,057	1,680,100	1,407,961
Long-Term Liabilities Outstanding	1,936,965	1,889,803	1,375,772	1,110,532	3,312,737	3,000,335
Other Liabilities	<u>266,305</u>	<u>291,092</u>	<u>1,970,721</u>	<u>1,957,235</u>	<u>2,237,026</u>	<u>2,248,327</u>
TOTAL LIABILITIES	2,203,270	2,180,895	3,346,493	3,067,767	5,549,763	5,248,662
Deferred Inflows of Resources	337,795	291,805	92,387	96,106	430,182	387,911
Net Position:						
Net Investment in Capital Assets	9,306,591	9,928,025	25,193,170	26,206,960	34,499,761	36,134,985
Restricted	4,614,889	3,337,469			4,614,889	3,337,469
Unrestricted	<u>4,751,013</u>	<u>4,691,195</u>	<u>9,727,224</u>	<u>8,338,234</u>	<u>14,478,237</u>	<u>13,029,429</u>
TOTAL NET POSITION	<u>\$18,672,493</u>	<u>\$17,956,689</u>	<u>\$34,920,394</u>	<u>\$34,545,194</u>	<u>\$53,592,887</u>	<u>\$52,501,883</u>

Governmental Activities. For the current year, total assets increased \$558,690; deferred outflows of resources increased \$225,479; total liabilities increased \$22,375; deferred inflows of resources increased \$45,990; resulting in an increase to net position of \$715,804.

Significant changes in total assets include an increase in cash of \$919,639; a decrease in net pension assets of \$261,923; offsetting increases in due from other governments of \$510,146; a \$482 increase in prepaid items; \$83,464 increase in net receivables and internal balances; a \$71,684 decrease in real estate for sale; and a decrease of \$621,434 in net investment in capital assets, \$485,925 of which was in accumulated depreciation. The current year's cash increase was \$683,949 lower than the prior year's increase.

The decrease in net pension assets is from the police pension plan's investments increasing more slowly than the actuarial liability to pay future benefits. The increase in due from other governments is from grant funds earned but not yet received.

CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

The increase in deferred outflows and the increase in deferred inflows represent actuarial differences for pension and other post-employment benefits to be recognized as expenses in future periods. The increase in deferred outflows of resources, due to the current year's investment performance for police and fire pension plans, was less than actuarial projections.

The significant changes in total liabilities, which increased \$22,375 in total, include a decrease in accounts payable and accrued liabilities of \$31,353; an increase in unearned revenue of \$6,566; an increase in net pension liability of \$80,366; a decrease of \$23,800 in liabilities due within one year; and a decrease in other liabilities of \$9,404.

Business-type Activities. For the current year, total assets increased \$603,547; deferred outflows of resources increased \$46,660; total liabilities increased \$278,726; and, deferred inflows of resources decreased \$3,719, which resulted in an increase to net position of \$375,200.

Significant changes in total assets include an increase in cash of \$1,140,719; a \$172,103 increase in net receivables and internal balances; a decrease in inventory of \$33,143; a net decrease in capital assets of \$895,824; and an increase in due from other governments of \$219,692. The current year's cash increase was \$595,374 less than the prior year's increase. This decrease is primarily from insurance proceeds received by the Airport Fund last year and not received during the current year. The decrease in capital assets is due to a \$1,563,212 increase in accumulated depreciation. Stated another way, the increase in new capital assets was less than the depreciation of all capital assets. The increase in due from other governments is from the improvements made at the airport runway, from which funds have not yet been received by year end.

Significant changes in total liabilities include increases in long-term liabilities and other liabilities of \$265,240 and \$13,486, respectively. The increase in long-term liabilities is from net pension liabilities increasing \$239,427 from the City's participation in the Florida Retirement System and other post-employment benefits increasing \$12,824. The increase in other liabilities is from accounts payable and deposits increasing \$58,486 and unearned revenue decreasing \$45,000. Of this total \$249,155 is from Airport capital projects. \$18,764 of the increase is related to the timing of how vendors were paid.

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, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

City of Avon Park's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program Revenues						
Charges for Services	\$597,636	\$602,891	\$7,141,593	\$7,163,747	\$7,739,229	\$7,766,638
Operating Grants & Contributions	111,560	112,940	5,566	93,042	117,126	205,982
Capital Grants & Contributions	694,048	127,706	343,815	1,806,621	1,037,863	1,934,327
General Revenue:						
Property Taxes	285,208	248,014			285,208	248,014
Other Taxes	2,795,266	2,766,542			2,795,266	2,766,542
Insurance Recoveries	175,631	299,361	7,505	692,595	183,136	991,956
Other	<u>1,717,625</u>	<u>1,668,846</u>	<u>34,233</u>	<u>28,052</u>	<u>1,751,858</u>	<u>1,696,898</u>
TOTAL REVENUES	\$6,376,974	\$5,826,300	\$7,532,712	\$9,784,057	\$13,909,686	\$15,610,357
Expenses:						
General Government	\$843,740	\$519,136			\$843,740	\$519,136
Public Safety	3,567,795	3,175,626			3,567,795	3,175,626
Transportation	1,241,666	770,383			1,241,666	770,383
Culture and Recreation	559,567	519,503			559,567	519,503
Economic Environment	40,079	183,104			40,079	183,104
Water and Sewer			\$4,178,987	\$4,051,030	4,178,987	4,051,030
Airport			793,147	685,747	793,147	685,747
Solid Waste			<u>1,593,701</u>	<u>1,524,253</u>	<u>1,593,701</u>	<u>1,524,253</u>
TOTAL EXPENSES	\$6,252,847	\$5,167,752	\$6,565,835	\$6,261,030	\$12,818,682	\$11,428,782
Excess (Deficiency) Before Transfers	124,127	658,548	966,877	3,523,027	1,091,004	4,181,575
Transfers	<u>591,677</u>	<u>591,826</u>	<u>(591,677)</u>	<u>(591,826)</u>		
Change in Net Position	\$715,804	\$1,250,374	\$375,200	\$2,931,201	1,091,004	\$4,181,575
Net Position – Beginning	<u>17,956,689</u>	<u>16,706,315</u>	<u>34,545,194</u>	<u>31,613,993</u>	<u>52,501,883</u>	<u>48,320,308</u>
Net Position - Ending	<u>\$18,672,493</u>	<u>\$17,956,689</u>	<u>\$34,920,394</u>	<u>\$34,545,194</u>	<u>\$53,592,887</u>	<u>\$52,501,883</u>

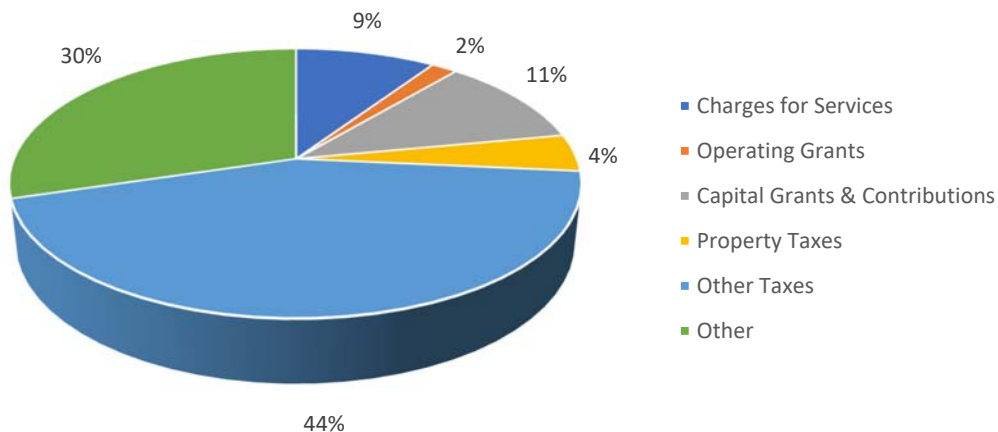
**CITY OF AVON PARK, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Governmental Activities. The City’s governmental activities’ change in net position for the year was an increase of \$715,804, \$534,570 less than last year’s increase. Key components of the decrease in growth compared to the prior year were total revenues increasing \$550,674, at a slower rate than the increase of expenses, which was \$1,085,095. Transfers increased slightly during the year.

Almost the entire increase in total revenues, \$566,342, could be attributed to an increase in capital grants and contributions. Increases in expenditures include general government (\$324,604), public safety (\$392,169), transportation (\$471,283) and culture and recreation (\$40,064). Economic environment programs decreased \$143,025.

The following graphic reflects sources of revenue and charges for services for governmental activities.

**REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES
2018-2019 Fiscal Year**



In total, the increase in governmental activities’ revenues of \$550,674 is due virtually to a \$566,342 increase in capital grants and contributions.

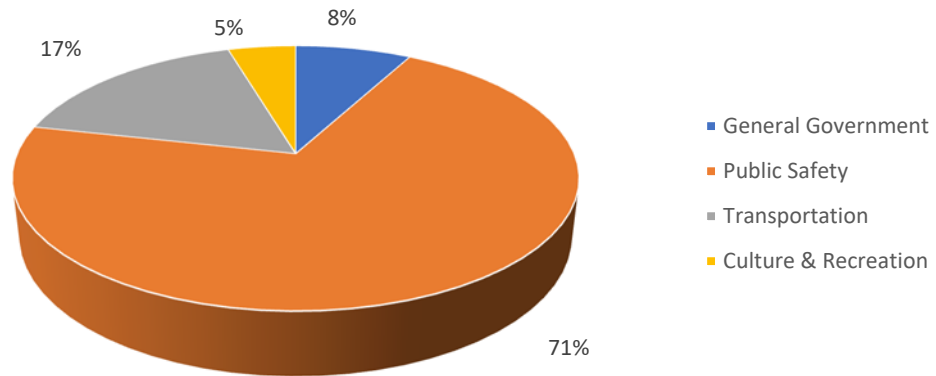
Charges for Services accounts for 9% of revenues generated by governmental activities.

Program Revenue and Charges decreased \$5,255 compared to the prior year activity. Public Safety generated \$421,807 in program revenues/charges for services. The source of this revenue is fire assessments on commercial and residential property. Assessments are charged on a per parcel basis and not property value. The revenue generated by this source will increase in 2019-2020, as assessments were increased from \$80 per parcel in 2018-19 to \$120 per parcel in 2019-2020. Assessments supplement fire department funding and are used as an alternative to property taxes. The fire assessment funds approximately 27% of the department’s operating budget. Assessments are not used to purchase capital and large equipment purchases.

Program revenues and charges for services, by activity, are illustrated in the following chart.

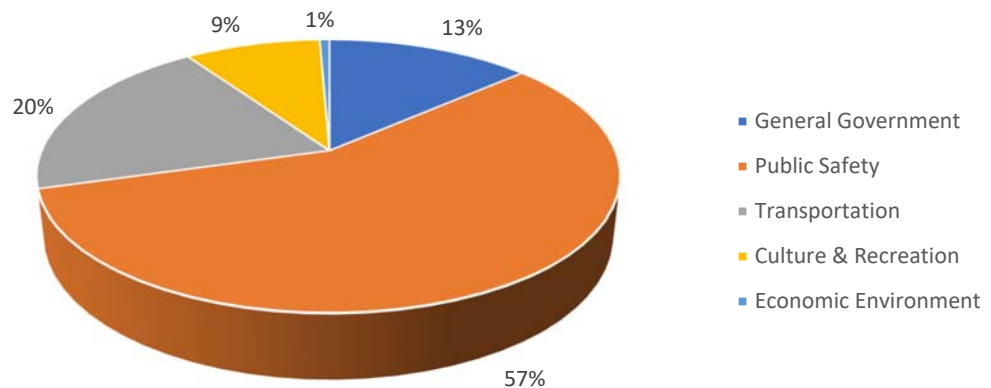
**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

**PROGRAM REVENUE/CHARGES FOR SERVICES GOVERNMENTAL ACTIVITIES
2018-2019 Fiscal Year**



Total program expenses for governmental activities increased \$1,085,095 when compared to the prior year. Except for Economic Environment, which decreased \$143,025, all other programs increased as follows – General Government \$324,604; Public Safety \$392,169; Transportation \$471,283; and Culture & Recreation \$40,064. The following graph depicts the distribution of costs by activity

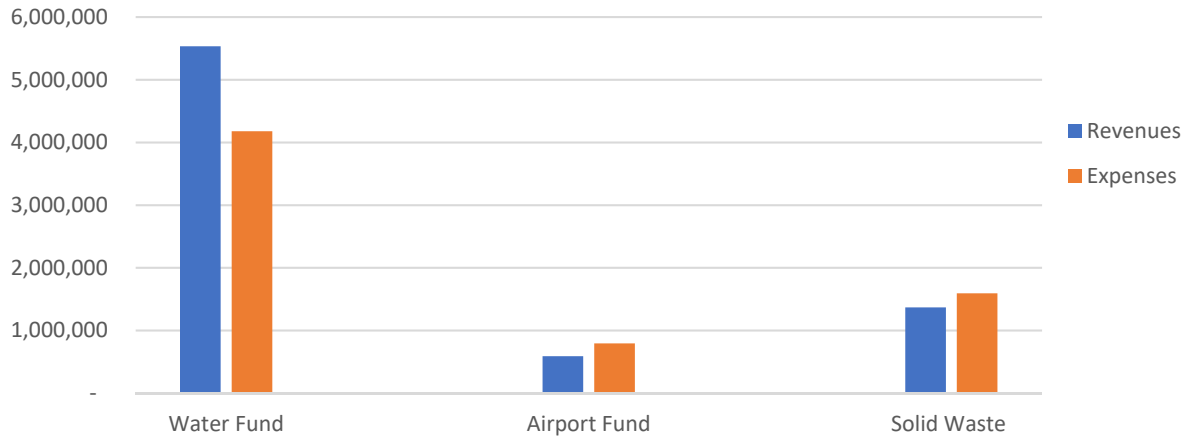
**PROGRAM EXPENSES - Governmental Activities
2018-2019 Fiscal Year**



Business-type Activities. Business-type activities account for 65% of the City's net position, virtually unchanged from 2018. Business-type activities include the Water Department Fund, the Airport Fund and the Solid Waste (Sanitation) Fund. These funds differ from Governmental activities and funds in that Business-Type funds generally charge a fee to users of the service. The Water Fund derives income from water and sewer fees; Solid Waste from service fees; and, Airport from facility rentals.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

**PROGRAM REVENUES & EXPENSES - Business-Type Activities
2018-2019 Fiscal Year**



The City's business-type activities had excess revenue before transfers of \$966,877, a decrease of \$2,556,150 in comparison to the prior year. After transfers, business-type activities increased its net position by \$375,200, which was a decrease of \$2,556,001 in comparison to the prior year. Key elements of this change from the prior year were as follows:

The Water Fund had operating income of \$1,260,460, a decrease of \$87,355 compared to the prior year. The fund had a net increase in charges for services of \$55,085 and a decrease of \$14,483 in Miscellaneous Fees. Personnel costs increased \$192,190; supply costs decreased \$80,525; and, depreciation expense increased \$16,292. Overall expenses increased \$127,957.

The Airport Fund had an operating loss of \$459,388, an increase of \$98,631 compared to the prior year. Though revenues increased \$8,769 compared to last year, expenses increased \$107,400, of which depreciation accounted for \$90,273 of the increase. Adjusting for depreciation, the fund would have a "cash-flow" surplus of \$68,779, which would be \$8,358 less than the prior year. Because of its large investment in capital assets, the Airport Fund likely will not experience operating income for several years until operating revenues increase to offset the depreciation expense.

The Solid Waste Fund had an operating loss of \$225,314, which is \$140,973 more than the prior year. The increased loss is the result of lower operating revenues - \$71,525 - and expenses increasing \$69,448. Increases in personnel (\$39,909), materials and supplies (\$15,130) and depreciation (\$14,409) account for the increase in operating expenses. The \$76,577 decrease in charges for services was offset slightly with an increase in miscellaneous fees of \$5,052.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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 Fund Balances of \$9,902,593, a relatively small decrease of \$171,248 in comparison to the prior year. The unassigned fund balance of \$3,839,134, or 39%, is available for spending at the City's discretion. Note the city assigned \$275,000 of fund balance during the 2019 fiscal year. This assignment is the balance of an insurance settlement for the old fire station. Assigned funds will be used to improve that specific site. \$155,666 is committed to payment of compensated absences. The fund balances of the City's Infrastructure and CRA Funds 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 \$3,844,134 while total fund balance reached \$5,441,400. 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 74% and 98%, respectively, for a decrease of 240 basis points during the fiscal year. The City's fund balance in the general fund for the fiscal year decreased \$232,803.

The fund balance of the City's infrastructure fund increased by \$990,025 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 Fund at the end of the year was \$8,653,856. The Airport and Solid Waste fund's unrestricted net position was (\$362,094) and \$1,435,462, 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 had a total increase of \$76,309 in its original budget appropriation compared to its final budget. Those departments with changes include Other Governmental Services (-\$17,000), Police (-\$5,000), Fire (+\$70,309), Code Enforcement (+20,000) and Parks (+8,000). Management has the authority to transfer budgeted funds among departments within a fund provided it is less than \$25,000 and the total original appropriation does not increase. The overall budget variance for expenditures of the General Fund was \$100,615 favorable.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

The Infrastructure Fund had no changes in total expenditures between the original and final amended budget, other than transfers between departments. For the year, there was an overall favorable budget variance for expenditures in the amount of \$1,241,057. The reason for the favorable variance is because the City has not yet started certain projects it expected to begin and be completed during the current year.

The CRA Fund had no changes between the original budget and the final amended budget. Favorable budget variances of \$565,029 in expenditures were the result of the City's practice of appropriating all available fund balances each year and not providing for the retention of any reserves. The strategy of appropriating all available fund balances each year is being reconsidered.

The CDBG fund had no changes between the original budget and the final amended budget. Favorable budget variances in expenditures of \$795,000 were the result of the fund's budget reflecting 100% of the total grant project, while only a portion of it was completed.

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, 2019, net of accumulated depreciation, is \$34,799,421. 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 \$1,517,258 decrease in the City's investment in capital assets for the current fiscal year is the result of depreciation exceeding capital additions for the current year.

City of Avon Park - Changes in Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$404,202	\$396,621	\$2,299,975	\$2,299,975	\$2,704,177	\$2,696,596
Buildings and Systems	6,730,626	6,801,766	43,987,853	41,367,811	50,718,479	48,169,577
Machinery and Equipment	3,872,046	3,924,934	7,201,676	7,112,271	11,073,722	11,037,205
Infrastructure	8,276,053	8,276,053			8,276,053	8,276,053
Construction in Progress	<u>25,087</u>	<u>44,149</u>	<u>391,260</u>	<u>2,433,319</u>	<u>416,374</u>	<u>2,477,468</u>
TOTAL CAPITAL ASSETS	\$19,308,014	\$19,443,523	\$53,880,764	\$53,213,376	\$73,188,778	\$72,656,899
Less:						
Accumulated Depreciation	<u>(10,001,423)</u>	<u>(9,515,498)</u>	<u>(28,387,934)</u>	<u>(26,824,722)</u>	<u>(38,389,357)</u>	<u>(36,340,220)</u>
TOTAL CAPITAL ASSETS (net)	<u>\$9,306,591</u>	<u>\$9,928,025</u>	<u>\$25,492,830</u>	<u>\$26,388,654</u>	<u>\$34,799,421</u>	<u>\$36,316,679</u>

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Additional information on the City's capital assets can be found on Note 4 on pages 48-49 of this report.

Long-term debt. At September 30, 2019 and September 30, 2018, the City had no formal long-term debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic growth in the local economy can be affected by many factors – internal (within the control of local government) and external (outside the control of local government). Some indicators of the health of a local economy are changes in home prices, population, businesses, and new construction. These can affect unemployment rates, revenues, such as property taxes, sales taxes, and charges for services - all indicators of increasing or decreasing local economic activity.

The City continues efforts to stimulate local growth, and attract businesses, by maintaining the one of the lowest municipal taxable millage within the State of Florida and the lowest in Highlands County - 0.30 mills per \$1,000 of valuation for fiscal years 2018 and 2019. City Council maintained the current fire assessment at \$80 for a single-family home, though methodology studies support a rate as high as \$140. Fire assessments were increased to \$120 for the 2019-2020 fiscal year. Other actions by the City Council to stimulate local growth and attract businesses were to extend, by resolution, a policy allowing new businesses utilizing 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 expanded its water utility system with City-constructed water main extensions and the addition of sixty-one new meters/service during fiscal year 2019.

The unemployment rate for the County was 4.3 for the month of September 2019. The unemployment rate continues to decline in the County, a positive sign of improving local financial health.

(Source: <https://fred.stlouisfed.org/series/FLHIGH5URN>)

Subsequent to September 30, 2019 the COVID-19 Virus impacted many communities across the United States. The impact on the City in fiscal year 2020 and future years is not known at this time.

For the 2019-2020 budget cycle, fees for services remained unchanged. Charges for services and utility tax budgeted revenues remained the same, while franchise fees were budgeted to increase slightly than the prior year.

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 Street, Avon Park, Florida 33825

BASIC FINANCIAL STATEMENTS

**CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 8,838,416	\$ 10,957,267	\$ 19,795,683
Receivables, Net	252,106	993,543	1,245,649
Internal Balances	297,325	(297,325)	-
Due from Other Governments	1,003,077	516,411	1,519,488
Prepaid Items	21,554	-	21,554
Inventory	-	91,831	91,831
Real Estate for Sale	285,000	-	285,000
Net Pension Asset	134,106	-	134,106
Capital Assets:			
Land	404,202	2,299,975	2,704,177
Buildings and System	6,730,626	43,987,853	50,718,479
Equipment	3,872,046	7,201,676	11,073,722
Infrastructure	8,276,053	-	8,276,053
Construction in Progress	25,087	391,260	416,347
Accumulated Depreciation	(10,001,423)	(28,387,934)	(38,389,357)
Total Assets	20,138,175	37,754,557	57,892,732
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	1,061,490	591,272	1,652,762
Deferred Outflows Related to OPEB	13,893	13,445	27,338
Total Deferred Outflows of Resources	1,075,383	604,717	1,680,100
LIABILITIES			
Accounts Payable and Accrued Liabilities	248,234	583,173	831,407
Deposits	-	1,088,391	1,088,391
Unearned Revenue	18,071	299,157	317,228
Noncurrent Liabilities:			
Net Pension Liability	1,512,124	1,094,653	2,606,777
Total OPEB Liability	269,175	211,494	480,669
Due within One Year	132,300	69,625	201,925
Due in More than One Year	23,366	-	23,366
Total Liabilities	2,203,270	3,346,493	5,549,763
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	315,378	74,775	390,153
Deferred Inflows Related to OPEB	22,417	17,612	40,029
Total Deferred Inflows of Resources	337,795	92,387	430,182
NET POSITION			
Net Investment in Capital Assets	9,306,591	25,193,170	34,499,761
Restricted for:			
Pension Benefits	134,106	-	134,106
Infrastructure	4,312,893	-	4,312,893
Community Redevelopment	153,300	-	153,300
Other	14,590	-	14,590
Unrestricted	4,751,013	9,727,224	14,478,237
Total Net Position	\$ 18,672,493	\$ 34,920,394	\$ 53,592,887

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	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
Governmental Activities:							
General Government	\$ 843,740	\$ 47,208	\$ -	\$ -	\$ (796,532)	\$ -	\$ (796,532)
Public Safety	3,567,795	421,807	1,560	-	(3,144,428)	-	(3,144,428)
Transportation	1,241,666	101,095	-	694,048	(446,523)	-	(446,523)
Culture and Recreation	559,567	27,526	110,000	-	(422,041)	-	(422,041)
Economic Environment	40,079	-	-	-	(40,079)	-	(40,079)
Total Governmental Activities	<u>6,252,847</u>	<u>597,636</u>	<u>111,560</u>	<u>694,048</u>	<u>(4,849,603)</u>	<u>-</u>	<u>(4,849,603)</u>
Business-Type Activities:							
Water and Sewer	4,178,987	5,439,447	5,566	88,487	-	1,354,513	1,354,513
Airport	793,147	333,759	-	255,328	-	(204,060)	(204,060)
Solid Waste	1,593,701	1,368,387	-	-	-	(225,314)	(225,314)
Total Business-Type Activities	<u>6,565,835</u>	<u>7,141,593</u>	<u>5,566</u>	<u>343,815</u>	<u>-</u>	<u>925,139</u>	<u>925,139</u>
Total Primary Government	<u>\$ 12,818,682</u>	<u>\$ 7,739,229</u>	<u>\$ 117,126</u>	<u>\$ 1,037,863</u>	<u>(4,849,603)</u>	<u>925,139</u>	<u>(3,924,464)</u>
General Revenues:							
Taxes:							
Property					285,208	-	285,208
Fuel					413,928	-	413,928
Infrastructure Surtax					1,149,502	-	1,149,502
Utility and Communication Services					1,101,843	-	1,101,843
Other					129,993	-	129,993
Franchise Fees					657,413	-	657,413
Unrestricted Intergovernmental Revenue					995,040	-	995,040
Investment Earnings					27,581	34,015	61,596
Insurance Recoveries					175,631	7,505	183,136
Gain on Sale of Capital Assets					-	218	218
Miscellaneous					37,591	-	37,591
Transfers					591,677	(591,677)	-
Total General Revenues and Transfers					<u>5,565,407</u>	<u>(549,939)</u>	<u>5,015,468</u>
Change in Net Position					715,804	375,200	1,091,004
Net Position - Beginning of Year					<u>17,956,689</u>	<u>34,545,194</u>	<u>52,501,883</u>
Net Position - End of Year					<u>\$ 18,672,493</u>	<u>\$ 34,920,394</u>	<u>\$ 53,592,887</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	General	Infrastructure	CRA	Non-Major CDBG	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash					
Equivalents	\$ 4,103,215	\$ 4,185,996	\$ 549,205	\$ -	\$ 8,838,416
Receivables, Net	154,692	-	97,414	-	252,106
Due from Other Governments	807,430	190,647	-	5,000	1,003,077
Due from Other Funds	63,750	-	-	-	63,750
Prepaid Items	73,218	-	-	-	73,218
Real Estate for Sale	-	-	285,000	-	285,000
Advances to Other Funds	1,078,792	-	-	-	1,078,792
	<u>\$ 6,281,097</u>	<u>\$ 4,376,643</u>	<u>\$ 931,619</u>	<u>\$ 5,000</u>	<u>\$ 11,594,359</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued					
Liabilities	\$ 238,437	\$ -	\$ 4,797	\$ 5,000	\$ 248,234
Due to Other funds	7,945	63,750	-	-	71,695
Unearned Revenue	18,071	-	-	-	18,071
Advance from Other Fund	-	-	773,522	-	773,522
Total Liabilities	<u>264,453</u>	<u>63,750</u>	<u>778,319</u>	<u>5,000</u>	<u>1,111,522</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	<u>575,244</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>580,244</u>
FUND BALANCES					
Nonspendable:					
Prepaid Items	73,218	-	-	-	73,218
Advances to Other Fund	1,078,792	-	-	-	1,078,792
Restricted for:					
Law Enforcement	8,108	-	-	-	8,108
Bouis Fountain	6,482	-	-	-	6,482
Infrastructure	-	4,312,893	-	-	4,312,893
Community Redevelopment	-	-	153,300	-	153,300
Committed for Compensated Absences	155,666	-	-	-	155,666
Assigned for Capital Improvements	275,000	-	-	-	275,000
Unassigned	3,844,134	-	-	(5,000)	3,839,134
Total Fund Balances	<u>5,441,400</u>	<u>4,312,893</u>	<u>153,300</u>	<u>(5,000)</u>	<u>9,902,593</u>
	<u>\$ 6,281,097</u>	<u>\$ 4,376,643</u>	<u>\$ 931,619</u>	<u>\$ 5,000</u>	<u>\$ 11,594,359</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,281,097</u>	<u>\$ 4,376,643</u>	<u>\$ 931,619</u>	<u>\$ 5,000</u>	<u>\$ 11,594,359</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Fund Balances - Total Government Funds \$ 9,902,593

Amounts Reported for Governmental Activities in the Statement of Net Position are different because:

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. 580,244

Net pension asset is not available to pay current period expenditures and therefore are not reported as assets in the governmental funds. 134,106

Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources - Pension Related,		
Less \$51,664 of Prepaid Items Reclassified	\$ 1,009,826	
Deferred Inflows of Resources - Pension Related	<u>(315,378)</u>	694,448

Deferred outflows and inflows of resources related to OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources - OPEB Related	13,893	
Deferred Inflows of Resources - OPEB Related	<u>(22,417)</u>	(8,524)

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

Cost of Capital Assets	19,308,014	
Accumulated Depreciation	<u>(10,001,423)</u>	9,306,591

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

OPEB Liability	(269,175)	
Compensated Absences	(155,666)	
Net Pension Liability	<u>(1,512,124)</u>	<u>(1,936,965)</u>

Net Position of Governmental Activities \$ 18,672,493

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2019

	General	Infrastructure	CRA	Non-Major CDBG	Total Governmental Funds
REVENUES					
Taxes	\$ 1,730,725	\$ 1,149,502	\$ 200,247	\$ -	\$ 3,080,474
Charges for Services	4,699	-	-	-	4,699
Permits, Fees and Special Assessment	1,051,432	-	-	-	1,051,432
Intergovernmental	1,323,499	-	-	-	1,323,499
Fines and Forfeitures	25,471	-	-	-	25,471
Investment Earnings	11,274	16,307	-	-	27,581
Miscellaneous	84,212	-	-	-	84,212
Total Revenues	<u>4,231,312</u>	<u>1,165,809</u>	<u>200,247</u>	<u>-</u>	<u>5,597,368</u>
EXPENDITURES					
Current:					
General Government	677,093	-	-	-	677,093
Public Safety	3,243,691	-	-	-	3,243,691
Transportation	342,218	-	-	-	342,218
Culture and Recreation	394,625	-	-	-	394,625
Economic Environment	-	-	40,806	5,000	45,806
Capital Outlay	574,818	175,784	9,710	-	760,312
Total Expenditures	<u>5,232,445</u>	<u>175,784</u>	<u>50,516</u>	<u>5,000</u>	<u>5,463,745</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,001,133)	990,025	149,731	(5,000)	133,623
OTHER FINANCING SOURCES (USES)					
Insurance Proceeds	175,631	-	25,731	-	201,362
Transfers in	599,725	-	7,026	-	606,751
Transfers out	(7,026)	-	(8,048)	-	(15,074)
Total Other Financing Sources (Uses)	<u>768,330</u>	<u>-</u>	<u>24,709</u>	<u>-</u>	<u>793,039</u>
NET CHANGE IN FUND BALANCES	(232,803)	990,025	174,440	(5,000)	926,662
Fund Balances - Beginning of Year	<u>5,674,203</u>	<u>3,322,868</u>	<u>(21,140)</u>	<u>-</u>	<u>8,975,931</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,441,400</u>	<u>\$ 4,312,893</u>	<u>\$ 153,300</u>	<u>\$ (5,000)</u>	<u>\$ 9,902,593</u>

See accompanying Notes to Financial Statements.

**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
YEAR ENDED SEPTEMBER 30, 2019**

Net Change in fund Balances - Total Government Funds		\$	926,662
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:			
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			578,244
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension asset or liability is measured for the police and fire pension plans and for the FRS and HIS plans, a year and three months, respectively, before the City's report date. Pension expense, which is the change in net pension liability adjusted for changes in deferred outflows and inflows related to pension, is reported in the statement of activities.			
Adjustments to Pension Expense			(187,986)
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	\$	139,385	
Depreciation Expense		(680,694)	
Less: Net Book Value of Disposed Assets		<u>(80,125)</u>	
			(621,434)
Some expense 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		(7,707)	
Compensated Absences		<u>28,025</u>	
			<u>20,318</u>
Changes in Net Position of Governmental Activities		\$	<u><u>715,804</u></u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,655,942	\$ 1,655,942	\$ 1,730,725	\$ 74,783
Charges for Services	7,125	7,125	4,699	(2,426)
Permits, Fees, and Special				
Assessments	988,800	988,800	1,051,432	62,632
Intergovernmental	1,696,879	1,696,879	1,323,499	(373,380)
Fines and Forfeitures	22,900	22,900	25,471	2,571
Investment Earnings	2,100	2,100	11,274	9,174
Miscellaneous	111,600	111,600	84,212	(27,388)
Total Revenues	<u>4,485,346</u>	<u>4,485,346</u>	<u>4,231,312</u>	<u>(254,034)</u>
EXPENDITURES				
General Government:				
City Council	29,510	29,510	32,375	(2,865)
City Manager	166,042	166,042	204,984	(38,942)
Finance	96,704	96,704	79,717	16,987
Legal Counsel	139,864	139,864	194,010	(54,146)
Other Governmental Services	178,000	161,000	166,007	(5,007)
Public Safety:				
Police	1,524,834	1,519,834	1,436,991	82,843
Fire	1,518,834	1,589,143	1,575,860	13,283
Code Enforcement	209,217	229,217	207,524	21,693
Planning and Zoning	53,500	53,500	25,000	28,500
Transportation:				
Street	1,003,695	1,003,695	910,902	92,793
Culture/Recreation:				
Parks	227,329	235,329	192,281	43,048
Recreation	81,609	81,609	174,886	(93,277)
Community Center	27,613	27,613	31,908	(4,295)
Total Expenditures	<u>5,256,751</u>	<u>5,333,060</u>	<u>5,232,445</u>	<u>100,615</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(771,405)	(847,714)	(1,001,133)	(153,419)
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	175,631	175,631
Transfers in	776,477	784,477	599,725	(184,752)
Transfers out	(5,072)	(5,072)	(7,026)	(1,954)
Total Other Financing Sources (Uses)	<u>771,405</u>	<u>779,405</u>	<u>768,330</u>	<u>(11,075)</u>
NET CHANGE IN FUND BALANCE	-	(68,309)	(232,803)	(164,494)
Fund Balance - Beginning of year	<u>4,719,000</u>	<u>4,688,028</u>	<u>5,674,203</u>	<u>986,175</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,719,000</u>	<u>\$ 4,619,719</u>	<u>\$ 5,441,400</u>	<u>\$ 821,681</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
INFRASTRUCTURE FUND
YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,149,502	\$ 49,502
Intergovernmental	316,841	316,841	-	(316,841)
Investment Earnings	-	-	16,307	16,307
Total Revenues	<u>1,416,841</u>	<u>1,416,841</u>	<u>1,165,809</u>	<u>(251,032)</u>
EXPENDITURES				
General Government:				
Other Governmental Services	538,386	474,636	47,193	427,443
Public Safety:				
Police	30,000	30,000	30,000	-
Code Enforcement	-	63,750	63,750	-
Transportation:				
Street	648,455	648,455	34,841	613,614
Culture/Recreation:				
Parks	200,000	200,000	-	200,000
Total Expenditures	<u>1,416,841</u>	<u>1,416,841</u>	<u>175,784</u>	<u>1,241,057</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	990,025	990,025
Fund Balance - Beginning of year	<u>2,898,000</u>	<u>2,898,000</u>	<u>3,322,868</u>	<u>424,868</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,898,000</u>	<u>\$ 2,898,000</u>	<u>\$ 4,312,893</u>	<u>\$ 1,414,893</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CRA FUND
YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 149,436	\$ 149,436	\$ 200,247	\$ 50,811
EXPENDITURES				
Economic Environment				
Main Street	367,938	367,938	32,317	335,621
South Side	55,120	55,120	14,462	40,658
Airport	22,467	22,467	3,737	18,730
Total Expenditures	<u>445,525</u>	<u>445,525</u>	<u>50,516</u>	<u>395,009</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(296,089)	(296,089)	149,731	445,820
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	25,731	25,731
Transfers in	5,500	5,500	7,026	1,526
Transfers out	(100,000)	(100,000)	(8,048)	91,952
Total Other Financing Sources (Uses)	<u>(94,500)</u>	<u>(94,500)</u>	<u>24,709</u>	<u>119,209</u>
NET CHANGE IN FUND BALANCE	(390,589)	(390,589)	174,440	565,029
Fund Balance - Beginning of year	<u>390,589</u>	<u>390,589</u>	<u>(21,140)</u>	<u>(411,729)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,300</u>	<u>\$ 153,300</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019**

	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	\$ 9,479,031	\$ 185,729	\$ 1,292,507	\$ 10,957,267
Receivables, Net	898,274	23,373	71,896	993,543
Due from Other Governments	-	516,411	-	516,411
Due from Other Funds	1,420	-	6,525	7,945
Inventories	75,414	16,417	-	91,831
Total Current Assets	<u>10,454,139</u>	<u>741,930</u>	<u>1,370,928</u>	<u>12,566,997</u>
Noncurrent Assets:				
Advance to Other Funds	-	-	411,321	411,321
Capital Assets:				
Land	1,599,508	700,467	-	2,299,975
Building and System	29,761,115	14,224,883	1,855	43,987,853
Equipment	5,109,235	125,024	1,967,417	7,201,676
Construction in Progress	205,442	185,818	-	391,260
Accumulated Depreciation	<u>(20,915,503)</u>	<u>(6,440,659)</u>	<u>(1,031,772)</u>	<u>(28,387,934)</u>
Capital Assets, Net of Accumulated Depreciation	<u>15,759,797</u>	<u>8,795,533</u>	<u>937,500</u>	<u>25,492,830</u>
Total Noncurrent Assets	<u>15,759,797</u>	<u>8,795,533</u>	<u>1,348,821</u>	<u>25,904,151</u>
Total Assets	<u>26,213,936</u>	<u>9,537,463</u>	<u>2,719,749</u>	<u>38,471,148</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	380,129	-	211,143	591,272
Deferred Outflows Related to OPEB	8,963	-	4,482	13,445
Total Deferred Outflows of Resources	<u>389,092</u>	<u>-</u>	<u>215,625</u>	<u>604,717</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and Accrued Liabilities	345,559	53,117	184,497	583,173
Compensated Absences	43,483	-	26,142	69,625
Deposits	1,048,230	40,161	-	1,088,391
Unearned Revenue	5,002	45,000	-	50,002
Total Current Liabilities	<u>1,442,274</u>	<u>138,278</u>	<u>210,639</u>	<u>1,791,191</u>
Noncurrent Liabilities:				
Advances from Other Funds	-	716,591	-	716,591
Total OPEB Liability	153,814	-	57,680	211,494
Net Pension Liability	703,753	-	390,900	1,094,653
Unearned Revenue	-	249,155	-	249,155
Total Noncurrent Liabilities	<u>857,567</u>	<u>965,746</u>	<u>448,580</u>	<u>2,271,893</u>
Total Liabilities	<u>2,299,841</u>	<u>1,104,024</u>	<u>659,219</u>	<u>4,063,084</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	48,074	-	26,701	74,775
Deferred Inflows Related to OPEB	12,809	-	4,803	17,612
	<u>60,883</u>	<u>-</u>	<u>31,504</u>	<u>92,387</u>
NET POSITION				
Net Investment in Capital Assets	15,588,448	8,795,533	809,189	25,193,170
Unrestricted	<u>8,653,856</u>	<u>(362,094)</u>	<u>1,435,462</u>	<u>9,727,224</u>
Total Net Position	<u>\$ 24,242,304</u>	<u>\$ 8,433,439</u>	<u>\$ 2,244,651</u>	<u>\$ 34,920,394</u>

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
OPERATING REVENUES				
Charges for Services	\$ 5,433,241	\$ 305,691	\$ 1,362,946	\$ 7,101,878
Sales of Fuel	-	23,591	-	23,591
Miscellaneous	6,206	4,477	5,441	16,124
Total Operating Revenues	<u>5,439,447</u>	<u>333,759</u>	<u>1,368,387</u>	<u>7,141,593</u>
OPERATING EXPENSES				
Personal Services	1,334,420	-	645,873	1,980,293
Materials, Supplies, Services and Other				
Operating Expenses	1,824,470	264,980	719,134	2,808,584
Depreciation	1,020,097	528,167	228,694	1,776,958
Total Operating Expenses	<u>4,178,987</u>	<u>793,147</u>	<u>1,593,701</u>	<u>6,565,835</u>
OPERATING INCOME (LOSS)	1,260,460	(459,388)	(225,314)	575,758
NONOPERATING REVENUES				
Investment Earnings	23,221	-	10,794	34,015
Noncapital grants	5,566	-	-	5,566
Gain (Loss) on Disposal of Assets	(82)	-	300	218
Gain on Insurance Recoveries	5,559	-	1,946	7,505
Total Nonoperating Revenues	<u>34,264</u>	<u>-</u>	<u>13,040</u>	<u>47,304</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,294,724	(459,388)	(212,274)	623,062
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital Grants	-	255,328	-	255,328
Capital Contributions - Impact Fees and Capital Contributions	88,487	-	-	88,487
Transfers In	-	-	2,131	2,131
Transfers Out	(590,000)	(3,808)	-	(593,808)
Total Capital Contributions and Transfers	<u>(501,513)</u>	<u>251,520</u>	<u>2,131</u>	<u>(247,862)</u>
CHANGES IN NET POSITION	793,211	(207,868)	(210,143)	375,200
Total Net Position - Beginning of Year	<u>23,449,093</u>	<u>8,641,307</u>	<u>2,454,794</u>	<u>34,545,194</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 24,242,304</u>	<u>\$ 8,433,439</u>	<u>\$ 2,244,651</u>	<u>\$ 34,920,394</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2019**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 5,362,219	\$ 280,044	\$ 1,380,683	\$ 7,022,946
Cash Paid to Suppliers	(1,942,381)	(232,929)	(709,345)	(2,884,655)
Cash Paid to Employees	(1,154,172)	-	(578,431)	(1,732,603)
Net Cash Provided by Operating Activities	2,265,666	47,115	92,907	2,405,688
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) Other Funds	(590,000)	(3,807)	(6,525)	(600,332)
Advance from (to) Other Funds	(1,420)	(44,825)	16,911	(29,334)
Proceeds from Noncapital Grant	5,566	-	-	5,566
Net Cash Provided (Used) by Noncapital Financing Activities	(585,854)	(48,632)	10,386	(624,100)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of Capital Assets	(377,872)	(410,032)	(2,784)	(790,688)
Proceeds from Capital Grants	-	35,636	-	35,636
Proceeds from Sale of Asset	4,620	-	2,246	6,866
Capital Contributions	73,303	-	-	73,303
Net Cash Provided (Used) by Capital and Related Financing Activities	(299,949)	(374,396)	(538)	(674,883)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of Interest	23,220	-	10,794	34,014
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,403,083	(375,913)	113,549	1,140,719
Equity in Pooled Cash and Cash Equivalents - Beginning of Year	8,075,948	561,642	1,178,958	9,816,548
EQUITY IN POOLED CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,479,031</u>	<u>\$ 185,729</u>	<u>\$ 1,292,507</u>	<u>\$ 10,957,267</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019**

	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)	\$ 1,260,460	\$ (459,388)	\$ (225,314)	\$ 575,758
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	1,020,097	528,167	228,694	1,776,958
Changes in Certain Assets, Deferred Outflows Liabilities and Deferred Inflows:				
Accounts Receivable	(112,222)	(13,448)	12,298	(113,372)
Inventories	1,536	31,607	-	33,143
Deferred Outflows of Resources	(19,016)	-	(21,889)	(40,905)
Accounts Payable and Accrued Liabilities	(96,367)	444	19,542	(76,381)
Compensated Absences	5,156	-	7,833	12,989
Deposits	34,989	4,733	-	39,722
Unearned Revenue	-	(45,000)	-	(45,000)
Other Postemployment Benefits	30,828	-	(17,071)	13,757
Net Pension Liability	147,737	-	91,690	239,427
Deferred Inflows of Resources	(7,532)	-	(2,876)	(10,408)
Net cash Provided by Operating Activities	<u>\$ 2,265,666</u>	<u>\$ 47,115</u>	<u>\$ 92,907</u>	<u>\$ 2,405,688</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Assets Acquired Through Retainage and Accounts Payable	<u>\$ 171,349</u>	<u>\$ -</u>	<u>\$ 128,311</u>	<u>\$ 299,660</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2019**

	Pension Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 207,955
Receivables:	
Contribution Receivable:	
Plan Members	1,241
State of Florida	38,071
Brokerage Transactions	516,221
Accrued Income	21,282
Total Receivables	576,815
 Prepaid Benefit Payments	 68,488
 Investments, at Fair Market Value:	
Multi-Sector Fixed Income Mutual Funds	304,008
Fixed Income Mutual Funds	1,994,486
U.S. Government and Agencies	1,007,231
Corporate and Foreign Bonds	310,865
Common Equity Securities	7,378,813
Real Estate Investment Fund	1,031,983
Total Investments	12,027,386
 Total Assets	 12,880,644
 LIABILITIES	
Accounts Payable	15,371
 Net Position Restricted for Pensions	 \$ 12,865,273

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
YEAR ENDED SEPTEMBER 30, 2019**

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
City	\$ 445,654
Plan Members	33,803
State of Florida	105,316
Total Contributions	<u>584,773</u>
Investment Income	469,007
Less Investment Expenses:	
Investment Management Fees	29,536
Custodial Fees	8,360
Performance Evaluation Fees	38,250
Total Investment Expenses	<u>76,146</u>
Net Investment Income	<u>392,861</u>
Total Additions	977,634
DEDUCTIONS	
Administrative Expenses	142,265
Payments to Retirees and Participants	860,854
Total Deductions	<u>1,003,119</u>
NET INCREASE IN NET POSITION	(25,485)
Net Position Restricted for Pension - Beginning of Year	<u>12,890,758</u>
NET POSITION RESTRICTED FOR PENSION - END OF YEAR	<u><u>\$ 12,865,273</u></u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City, a municipality under the law of the state of Florida, is located in Highlands County and is approximately 9.84 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 11,000 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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 expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

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.

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 within 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 nonmajor 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. 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. All other revenue items are considered to be measurable only when cash is received by the City. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Governmental Funds (Continued)

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 funds excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund expenditures or fund liabilities.

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 another financing source rather than as a fund liability. However, debt service expenditures 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 statement of net position. Proprietary funds 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. Nonoperating 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 nonoperating expenses.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expense. 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of Presentation

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or 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 following is a brief description of the funds used by the City.

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 general government, public safety, transportation, culture and recreation, and economic environment services.

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

CRA Fund – 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. The uses of those resources are restricted by Chapter 163, Florida Statutes.

Community Development Block Grant (CDBG) Fund – This special revenue fund is used to account for Federal CDBG revenues that are legally restricted for expenditures of specific purposes.

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.

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

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of Presentation (Continued)

Other Funds

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.

Noncurrent Governmental Assets/Liabilities

GASB Statement No. 34 requires noncurrent governmental assets, such as land and buildings, and noncurrent 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.

C. Budgets and Budgetary Accounting

Budgets are prepared for the General Fund, Infrastructure Fund, and CRA Fund 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.

D. 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 balance of the City's governmental funds of \$9,902,593 differs from "net position" of governmental activities, \$18,672,493 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

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 \$926,662, differs from the "change in net position" for governmental activities, an increase of \$210,858, 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.

E. Reclassifications and Eliminations

Transfers in and transfers out between governmental activities and business-type activities in the amount of \$15,074 and \$2,131, respectively, were eliminated. Amounts due to and due from between governmental activities of \$63,750 were eliminated. In addition, advances to and advances from between governmental and business-type activities in the amount of \$773,522 and \$411,321, respectively, were also eliminated.

F. 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.

G. Investments

Investments are stated at fair value, except for short-term investments, which are stated at amortized cost. Fair value is based on the price that would be received to sell an investment in an orderly transaction between market participants.

H. 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 90 days old and greater.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Real Estate Available for Sale

Real estate available for sale is recorded at the lower of cost or market value. Due to the nature of the acquisition, cost remains lower than the market value.

J. Inventories

Inventories are stated at cost, which is not in excess of market. Cost is determined on a weighted average method. The consumption method is used to account for inventories.

K. Prepaid items

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items. Prepaids are expensed in the periods benefited.

L. 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 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 "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 governmental funds balance sheet or proprietary funds statement of net position.

Long-term interfund loans are reported as "Advances to Other Funds" and as "Nonspendable Fund Balance" in the governmental funds to maintain accountability and to properly disclose the amount available for appropriations. Repayments are recorded as reductions in the receivable.

M. 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital assets (Continued)

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 acquisition 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 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

N. 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.

O. 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 OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences (Continued)

- City manager and department heads are not limited and will be paid in full unless under a contractual agreement. Currently, the City manager and one department head is 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 services 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 one-half to 100% of accumulated unused sick leave up to a maximum of 300 to 600 hours.

Compensated absences are reported in governmental funds when payment is due. 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, 2019, 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.

P. Deferred Outflows of Resources/Deferred Inflows of Resources

The City has multiple items that qualify for reporting as deferred outflows of resources, which is reported in the government-wide and proprietary funds statement of net position. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. These items include changes in actuarial assumptions, net difference between projected and actual earnings on pension and OPEB plan investments, changes in the proportion and differences between the city's contributions and proportionate share of contributions, and the City's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree health Insurance Subsidy Program. The other amounts will be recognized as increases in pension expense in future years.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Outflows of Resources/Deferred Inflows of Resources (Continued)

Details on the composition of deferred outflows related to pensions and OPEB are reported in subsequent notes.

The City has multiple items that qualify for reporting as deferred inflows of resources in the government-wide and proprietary funds statement of net position, and one item that qualifies as a deferred inflow of resources in the governmental funds. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide and proprietary funds statement of net position these items include the difference between expected and actual economic experience, net difference between projected and actual earnings on pension and OPEB plan investments, and changes in the proportion and differences between the city's contributions and proportionate share of contributions, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program.

In the governmental funds, a deferred inflow of resources is reported for unavailable intergovernmental revenues that were not received within sixty days of year-end. The amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

Details on the composition of deferred inflows related to pensions are reported in a subsequent note.

Q. Pension Plans

The City has pension plans covering substantially all of its regularly employed 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.

In the government-wide and proprietary funds statement of net position, liabilities are recognized for the City's share of each defined benefit pension plan's net pension asset or liability. For purposes of measuring the net pension asset, liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's sponsored single employer plans, the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deduction from the City's sponsored single employer plans, the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the City's sponsored single employer plans, the FRS and the HIS plans. For this purpose, defined benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Other Postemployment Benefits Obligation (OPEB)

In the statement of net position, liabilities are recognized for the City's total OPEB liability as determined by an actuarial review of the healthcare coverage purchased by retirees to continue participation in the City's health plan. OPEB expense is recognized immediately for changes in the OPEB liability resulting from current year service cost, interest on the total OPEB liability, and changes of benefit terms or actuarial assumptions.

S. Long-Term Obligations

In the government-wide financial statements, and proprietary funds 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 funds statement of net position.

T. Fund Balance Policy

The City's policy for fund balance of the general fund is to maintain minimum fund balance equal to 20% of the current year operating expenditures budgeted. 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.

U. Property Tax Revenues

Ad valorem taxes for the current fiscal year (beginning October 1, 2018) were assessed on July 1, 2018 based on property values of January 1, 2018. The taxes were billed in the month of November 2018 by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes were due November 1, 2018 (levy date) and became delinquent April 1, 2019. Tax certificates were issued for delinquent taxes by June 1, 2019 (lien date). Generally, the City collects substantially all of its current year property taxes during the year in which they are due.

V. 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.

W. Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three categories:

Net Investment in Capital Assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Government-Wide and Proprietary Fund Net Position (Continued)

Restricted Net Position - consists 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 is reported in this category.

X. 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. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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 where amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

A reconciliation of deposits and investments to amounts shown on the statement of net position and statement of fiduciary net position is as follows:

Deposits	\$ 18,030,361
Cash on Hand	2,000
Investments	<u>13,998,663</u>
Total	<u><u>\$ 32,031,024</u></u>

Statement of Net Position:	
Equity in Pooled Cash and Cash Equivalents	\$ 19,795,683
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	207,955
Investments	<u>12,027,386</u>
Total	<u><u>\$ 32,031,024</u></u>

Fair Value. The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets. The City had the following fair value measurements as of September 30, 2019:

	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Multi-Sector Fixed Income				
Mutual Funds	\$ 304,008	\$ 304,008	\$ -	\$ -
Fixed Income Mutual Funds	1,994,486	1,994,486	-	-
U.S. Government and Agencies	1,007,231	-	1,007,231	-
Corporate and Foreign Bonds	310,865	-	310,865	-
Common Equity Securities	<u>7,378,813</u>	<u>7,378,813</u>	-	-
Total Investments Measured at Fair Value	10,995,403	<u><u>\$ 9,677,307</u></u>	<u><u>\$ 1,318,096</u></u>	<u><u>\$ -</u></u>
Investments Measured at Net Asset Value:				
Real Estate Investment Fund	1,031,983			
Investments Measured at Amortized Cost:				
SBA Florida PRIME	<u>1,971,277</u>			
Total Investments	<u><u>\$ 13,998,663</u></u>			

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments of current operating funds to have maturities of no longer than 18 months. Investments of the City's fiduciary funds (pension plans) shall have a term appropriate to the need to fund future retiree benefits and in accordance with each plan's governing board's investment policy. As of September 30, 2019, 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 Activities:					
SBA Florida PRIME	\$ 1,971,277	\$ 1,971,277	\$ -	\$ -	\$ -
Fiduciary:					
Multi-Sector Fixed Income Mutual Funds	304,008	-	161,656	142,352	-
Fixed Income Mutual Funds	1,994,486	328,585	542,912	1,122,989	-
U.S. Government and Agencies	1,007,231	-	351,540	301,540	354,151
Corporate and Foreign Bonds	310,865	-	41,434	247,754	21,677
Total Fair Value	<u>\$ 5,587,867</u>	<u>\$ 2,299,862</u>	<u>\$ 1,097,542</u>	<u>\$ 1,814,635</u>	<u>\$ 375,828</u>

Credit Risk. Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy minimizes credit risk by limiting the maximum percentage that may be invested in any one entity or instrument at any one time. Presented below is the actual rating as of September 30, 2019 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	\$ 1,971,277
Fiduciary:		
Multi-Sector Fixed Income Mutual Funds	Not Rated	304,008
Fixed Income Mutual Funds	Not Rated	1,994,486
U.S. Government and Agencies	AA+	1,007,231
Corporate and Foreign Bonds	AAA to AA-	226,515
Corporate and Foreign Bonds	BBB+ to BBB-	84,350
Corporate Stock	Not Rated	7,378,813
Total		<u>\$ 12,966,680</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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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

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

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

The City invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the state of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2019, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 36.70% of the Florida PRIME's portfolio at September 30, 2019.

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

The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2019 was 37 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2019 was 85 days. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's. On September 30, 2019, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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

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

As of September 30, 2019, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

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

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 3 RECEIVABLES

Receivables as of September 30, 2019 for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities		Business-Type Activities			Total
	General	CRA	Water and Sewer	Airport	Solid Waste	
Utility and Franchise Taxes	\$ 146,038	\$ -	\$ -	\$ -	\$ -	\$ 146,038
Code Enforcement	-	-	-	-	-	-
Customer Charges	-	-	1,373,157	31,371	173,535	1,578,063
Miscellaneous	14,610	97,414	-	-	-	112,024
Gross Receivables	160,648	97,414	1,373,157	31,371	173,535	1,836,125
Allowance for Doubtful Accounts	(5,956)	-	(474,883)	(7,998)	(101,639)	(590,476)
Total	\$ 154,692	\$ 97,414	\$ 898,274	\$ 23,373	\$ 71,896	\$ 1,245,649

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental Activities:					
Capital Assets not being Depreciated:					
Land	\$ 396,621	\$ 7,581	\$ -	\$ -	\$ 404,202
Construction in Progress	44,149	8,793	-	(27,855)	25,087
Total Capital Assets not being Depreciated	440,770	16,374	-	(27,855)	429,289
Capital Assets being Depreciated:					
Buildings	6,801,766	38,400	-	(109,540)	6,730,626
Equipment	3,924,934	84,609	-	(137,497)	3,872,046
Infrastructure	8,276,053	-	-	-	8,276,053
Total Capital Assets being Depreciated	19,002,753	123,009	-	(247,037)	18,878,725
Less Accumulated Depreciation for:					
Buildings	(3,791,650)	(250,272)	-	58,502	(3,983,420)
Equipment	(3,261,804)	(124,077)	-	136,267	(3,249,614)
Infrastructure	(2,462,044)	(306,345)	-	-	(2,768,389)
Total Accumulated Depreciation	(9,515,498)	(680,694)	-	194,769	(10,001,423)
Total Capital Assets Being Depreciated, Net	9,487,255	(557,685)	-	(52,268)	8,877,302
Governmental Activities Capital Assets, Net	\$ 9,928,025	\$ (541,311)	\$ -	\$ (80,123)	\$ 9,306,591

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Business-Type Activities:					
Capital Assets not being Depreciated:					
Land	\$ 2,299,975	\$ -	\$ -	\$ -	\$ 2,299,975
Construction in Progress	2,433,319	320,734	(2,362,793)	-	391,260
Total Capital Assets not being Depreciated	4,733,294	320,734	(2,362,793)	-	2,691,235
Capital Assets being Depreciated:					
Buildings and Systems	41,367,811	257,249	2,362,793	-	43,987,853
Equipment	7,112,271	338,074	-	(248,669)	7,201,676
Total Capital Assets being Depreciated	48,480,082	595,323	2,362,793	(248,669)	51,189,529
Less Accumulated Depreciation for:					
Buildings and Systems	(22,608,013)	(1,246,042)	-	-	(23,854,055)
Equipment	(4,216,709)	(530,916)	-	213,746	(4,533,879)
Total Accumulated Depreciation	(26,824,722)	(1,776,958)	-	213,746	(28,387,934)
Total Capital Assets being Depreciated, Net	21,655,360	(1,181,635)	2,362,793	(34,923)	22,801,595
Business-Type Activities Capital Assets, Net	<u>\$ 26,388,654</u>	<u>\$ (860,901)</u>	<u>\$ -</u>	<u>\$ (34,923)</u>	<u>\$ 25,492,830</u>

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

Governmental Activities:	
General Government	\$ 68,714
Public Safety	151,760
Transportation	162,784
Culture and Recreation	297,436
Total Depreciation	<u>\$ 680,694</u>
Business-Type Activities:	
Water and Sewer	\$ 1,020,097
Airport	528,167
Solid Waste	228,694
Total Depreciation Expense	<u>\$ 1,776,958</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 5 COMMITMENTS

Construction Commitments

At September 30, 2019, the City had the following construction commitments:

Water and Force Main Extension	\$ 222,254
Taxiway F Construction Project	168,800
Total	\$ 391,054

NOTE 6 LONG-TERM LIABILITIES

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Compensated Absences	\$ 183,691	\$ 132,833	\$ 160,858	\$ 155,666	\$ 132,300
Total Governmental Activities					
Long-Term Liabilities	\$ 183,691	\$ 132,833	\$ 160,858	\$ 155,666	\$ 132,300
Business-Type Activities:					
Compensated Absences	\$ 56,636	\$ 83,586	\$ 70,597	\$ 69,625	\$ 69,625
Total Business-Type Activities					
Long-Term Liabilities	\$ 56,636	\$ 83,586	\$ 70,597	\$ 69,625	\$ 69,625

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City is obligated to make available to qualified retired employees the option to maintain coverage with the group health, life, and dental insurance plans. The City of Avon Park Plan (the Plan) is a single-employer defined benefit OPEB plan. The Plan is currently being funded on a pay as you go basis. No trust or agency fund has been established for the Plan.

Benefits Provided

All employees of the City of Avon Park are eligible to receive postemployment health care benefits. The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. Coverage for retirees and their spouses and dependents is provided for the life of the retiree. Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums less any subsidy received from FRS.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

At September 30, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	6
Active Plan Members	58
Total	64

Total OPEB Liability

The City's Total OPEB liability was measured as of September 30, 2018 and was determined by an actuarial valuation as of September 30, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date. The following table shows the City's total OPEB liability for the year ended September 30, 2019.

	Total OPEB Liability
Balance - October 1, 2018	\$ 473,024
Changes for the Year:	
Service Cost	35,007
Interest	18,092
Changes in Assumptions	(23,299)
Benefit Payments	(22,155)
Net Changes	7,645
Balance - September 30, 2019	\$ 480,669

Discount Rate Sensitivity

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

Description	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB Plan Discount Rate	3.18 %	4.18 %	5.18 %
Total OPEB Liability	\$ 524,933	\$ 480,669	\$ 441,045

Healthcare Trend Rate Sensitivity

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

Description	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB Plan Healthcare Cost Rate	3.0 % to 7.5 %	4.0 % to 8.5 %	5.0 % to 9.5 %
Total OPEB Liability	\$ 426,876	\$ 480,669	\$ 545,056

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$56,250. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ 40,029
Employer Benefit Payments Subsequent to the Measurement Date	27,338	-
Total	\$ 27,338	\$ 40,029

Amounts reported as deferred inflows of resources related to OPEB will be amortized over nine years and will be recognized in OPEB expenses as follows:

Year Ending September 30,	Amount
2020	\$ (5,349)
2021	(5,349)
2022	(5,349)
2023	(5,349)
2024	(5,349)
Thereafter	(13,284)

Actuarial Assumptions

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

Inflation	2.5%	
Salary Increases	6.0%	
Healthcare Cost Trend Rates	Initial rate of 8.5% in fiscal 2018, then gradually decreasing to an ultimate trend rate of 4.0% in 2073.	

The actuarial cost method used was the Entry Age cost method. Mortality rates were based on the RP-2000 mortality tables. The discount rate used to measure the total OPEB liability was 4.18%, based on yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (or equivalent quality on another rating scale).

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

The discount rate was changed from 3.64% as of the beginning of the measurement period to 4.18% as of September 30, 2019.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 RISK MANAGEMENT

Risk Pool

Effective October 1, 2015, the City became a member of Preferred Governmental Insurance Trust (PGIT), a governmental insurance carrier. PGIT administers insurance activities relating to property, general liability, public official's and employment practices liability, automobile, crime, and worker's compensation. The City is liable for deductible on certain coverages. PGIT meets GASB Statement No. 10, as amended as GASB Statement No. 30, guidelines for governmental entity pools and provides audited financial statements annually. 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 PGIT.

NOTE 9 INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2019 were as follows:

Due to/from other funds:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>		<u>Total</u>
	<u>General Fund</u>	<u>Infrastructure</u>	
General Fund	\$ -	\$ 63,750	\$ 63,750
Water and Sewer	1,420		1,420
Solid Waste	6,525		6,525
Total	<u>\$ 7,945</u>	<u>\$ 63,750</u>	<u>\$ 71,695</u>

Advance to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Total</u>
	<u>CRA Fund</u>	<u>Airport Fund</u>	
General Fund	\$ 773,522	\$ 305,270	\$ 1,078,792
Solid Waste Fund	-	411,321	411,321
Total	<u>\$ 773,522</u>	<u>\$ 716,591</u>	<u>\$ 1,490,113</u>

The General Fund has three outstanding advances at year-end. One of the advances of \$773,522 is to the CRA Fund for the purpose of purchasing real estate on Main Street with the intention of improving the building for Main Street redevelopment purposes. The other two outstanding advances of \$62,900 and \$242,370 to the Airport Fund were used to pay off a note payable to a bank in order to reduce the City's overall borrowing costs and to provide funds for the environmental cleanup of two contaminated sites at the airport. Environmental cleanup was completed in a prior year. The advance from Solid Waste Fund to the Airport Fund of \$411,321 is a result of prior years' operating losses.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 10 TRANSFERS

Transfers during the year ended September 30, 2019 consisted of the following:

<u>Transfer Out:</u>	<u>Transfer In:</u>			
	<u>General Fund</u>	<u>CRA</u>	<u>Solid Waste</u>	<u>Total</u>
General Fund	\$ -	\$ 7,026	\$ -	\$ 7,026
CRA	8,048	-	-	8,048
Water and Sewer	590,000	-	-	590,000
Airport	1,677	-	2,131	3,808
Total	<u>\$ 599,725</u>	<u>\$ 7,026</u>	<u>\$ 2,131</u>	<u>\$ 608,882</u>

Transfers are used 1) to move revenues from the fund that state law required to collect them to the fund that state law requires to expend them, or 2) to provide resources from the City's enterprise operations to its General fund as a return on the City's investment in the activity.

NOTE 11 FUND BALANCE RESTRICTIONS

Restrictions of fund balances for governmental funds at September 30, 2019 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 Fund. State statutes require that the resources be restricted.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Substantially all full-time employees of the City of Avon Park are covered by one or more of five pension plans: Police Officers' Retirement System, Firefighters' Retirement System, Florida Retirement System, Health Insurance Subsidy Program, or a defined contribution plan.

Police Officers' Retirement System (PORS)

General Information about the 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.

The PORS is administered by a board of trustees comprised of two City residents appointed by the City Council, two police officers elected by majority of covered Members, and a fifth Member elected by the other four and appointed by City Council.

Plan Membership - As of October 1, 2017, the members of the PORS consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	15
Inactive Plan Members Entitled to but not yet Receiving Benefits	14
Active Plan Members	1
Total	30

Benefits Provided - The Plan provides retirement, termination, disability, and death benefits. All benefits are 100% vested after 10 years of credited service. If a member terminates with less than 10 years of credited service he or she will receive a refund of member contributions with interest at 3%. Normal retirement is the earlier of age 55 with 10 years of credited service, the attainment of age 60 regardless of years of service, or the attainment of 20 years (25 years for members hired after April 27, 2014) of service regardless of age. Members who have attained age 50 and have completed 10 years of service are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3% (2.0% for members hired after April 27, 2014) of the average earnings for the highest five years of the preceding 10 year period times the number of years of credited service.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

General Information about the PORS (Continued)

The Plan provides for annual 1.46% cost of living adjustments for the life of all retirees, certain beneficiaries and terminated vested members. Cost of living adjustments will be made on the first October following the normal retirement date for retirees and actual retirement date for disabled retirees and in each October thereafter. Optional equivalent forms of this cost of living adjustment are available.

Contributions - 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 represent the City's portion of a 0.85% tax on all premiums collected on casualty insurance policies on 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. Administrative costs for each plan are financed through investment earnings. The City's required contribution, including the State's portion, for the year ended September 30, 2019 was \$18,170. Actual contributions for the year equaled \$68,686 or 378% of the required contributions.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	6.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Assumed rates of mortality were based on the RP-2000 Table.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

Net Pension Liability (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45.00 %	7.50%
International Equity	15.00	8.50%
Domestic Fixed Income	27.50	2.50%
Global Fixed Income	5.00	3.50%
Real Estate	7.50	4.50%
	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pensions plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

Net Pension Liability (Continued)

Changes in Net Pension Liability - The components of the changes in net pension liabilities was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2017	\$ 6,134,163	\$ 6,530,192	\$ (396,029)
Changes for the Year:			
Service Cost	21,881	-	21,881
Interest	478,398	-	478,398
Change in Excess State Money	-	-	-
Share Plan Allocation	28,839	-	28,839
Differences between Expected and Actual Experience	(121,947)	-	(121,947)
Changes of Assumptions	349,415	-	349,415
Contributions - Employer	-	-	-
Contributions - State	-	63,092	(63,092)
Contributions - Employee	-	4,159	(4,159)
Net Investment Income	-	478,081	(478,081)
Benefit Payments, Including Refunds of Employee Contributions	(352,143)	(352,143)	-
Administrative Expense	-	(50,669)	50,669
Net Changes	<u>404,443</u>	<u>142,520</u>	<u>261,923</u>
Balances at September 30, 2018	<u>\$ 6,538,606</u>	<u>\$ 6,672,712</u>	<u>\$ (134,106)</u>

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
	City's Net Pension (Asset) Liability	\$ 687,711	\$ (134,106)

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

Net Pension Liability (Continued)

Fiduciary Net Position - Detailed information about the pensions plan's fiduciary net position is publicly available in a separately issued financial report that may be obtained by writing to the City of Avon Park, City Manager, 110 E. Main Street, Avon Park, Florida 33825, calling 863-452-4400, or from the City's website: http://www.avonpark.cc/finance_department.php.

Deferred Outflows and Inflows of Resources Related to PORS - For the year ended September 30, 2019 the City recognized a pension expense of \$363,943. On September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual on Pension Plan Investments	\$ 30,211	\$ -
City and State Contributions Subsequent to the Measurement Date	67,245	-
Total	<u>\$ 97,456</u>	<u>\$ -</u>

The deferred outflows of resources related to the PORS, totaling \$67,245 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources related to the PORS will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 89,996
2021	(23,074)
2022	(42,815)
2021	6,104

Payables to PORS Pension Plan - At September 30, 2019, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2019.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS)

General Information about the FFRS

Plan Description – All General Information about the FFRS 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. 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.

The Plan is administered by a board of trustees comprised of two legal residents appointed by the City Council, two Members of the System elected by the other covered Members, and a fifth Member elected by the other four and appointed by City Council.

Plan Membership - As of October 1, 2017, the members of the FFRS consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	12
Inactive Plan Members Entitled to but not yet Receiving Benefits	1
Active Plan Members	14
Total	27

Benefits Provided - The Plan provides retirement, termination, disability, and death benefits. All benefits are 100% vested after 10 years of credited service. If a member terminates with less than 10 years of credited service he or she will receive a refund of member contributions with no interest. Normal retirement is the earlier of age 55 with 10 years of credited service or age 52 with 25 years of credited service. Members who have attained age 50 and have completed 10 years of service are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3.16% (2.0% for members hired after October 31, 2013) of the average earnings for the highest five years of the preceding 10 year period times the number of years of credited service.

The Plan provides for all retirees, including disability retirees and beneficiaries, but excluding vested terminated Members, who complete at least fifteen years of credited service to receive five annual 3.0% increase cost-of-living adjustments in their benefits each October 1 beginning the later of age 58 and one year after retirement.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS)

General Information about the FFRS (Continued)

Contributions - 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 FFRS represent 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. Administrative costs for each plan are financed through investment earnings. The City's required contribution, including the State's portion, for the year ended September 30, 2019 was \$445,653. Actual contributions for the year equaled \$483,725, or 109% of the required contributions.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	Service Based
Discount Rate	7.50%
Investment Rate of Return	7.50%

Assumed rates of mortality were based on the RP2000 Generational table.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS)

Net Pension Liability (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	50.00 %	7.50%
International Equity	15.00	8.50%
Domestic Fixed Income	20.00	2.50%
Global Fixed Income	5.00	3.50%
Real Estate	10.00	4.50%
	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pensions plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS)

Net Pension Liability (Continued)

Changes in Net Pension Liability - The components of the changes in the net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2017	\$ 7,081,743	\$ 5,952,652	\$ 1,129,091
Changes for the Year:			
Service Cost	139,148	-	139,148
Interest	536,361	-	536,361
Change in Excess State Money	-	-	-
Share Plan Allocation	-	-	-
Differences between Expected and Actual Experience	191,813	-	191,813
Changes of Assumptions	(21,036)	-	(21,036)
Contributions - Employer	-	330,429	(330,429)
Contributions - State	-	39,835	(39,835)
Contributions - Employee	-	31,510	(31,510)
Net Investment Income	-	529,834	(529,834)
Benefit Payments, Including Refunds of Employee Contributions	(600,203)	(600,203)	-
Administrative Expense	-	(66,011)	66,011
Net Changes	<u>246,083</u>	<u>265,394</u>	<u>(19,311)</u>
Balances at September 30, 2018	<u>\$ 7,327,826</u>	<u>\$ 6,218,046</u>	<u>\$ 1,109,780</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease	Current	1% Increase
	6.50%	Discount Rate 7.50%	8.50%
City's Net Pension (Asset) Liability	\$ 2,039,673	\$ 1,109,780	\$ 343,810

Fiduciary Net Position - Detailed information about the FFRS's fiduciary net position is publicly available in a separately issued financial report that may be obtained by writing to the City of Avon Park, City Manager, 110 E. Main Street, Avon Park, Florida 33825, calling 863-452-4400, or from the City's website:
http://www.avonpark.cc/finance_department.php

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS)

Net Pension Liability (Continued)

Deferred Outflows and Inflows of Resources Related to FFRS - For the year ended September 30, 2019 the City recognized a pension expense of \$265,111. On September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 159,845	\$ (175,535)
Changes of Assumptions	103,137	(17,530)
Net Difference Between Projected and Actual on Pension Plan Investments	-	(94,827)
City and State Contributions Subsequent to the Measurement Date	<u>483,726</u>	<u>-</u>
Total	<u><u>\$ 746,708</u></u>	<u><u>\$ (287,892)</u></u>

The deferred outflows of resources related to the FFRS, totaling \$483,726 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the FFRS will be recognized as an increase (decrease) pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 29,821
2021	(51,430)
2022	(44,517)
2023	12,752
2024	28,464

Payables to FFRS Pension Plan - At September 30, 2019, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2019.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS)

General Information about the FRS

The FRS was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website www.dms.myflorida.com.

The City's pension expense for both plans totaled \$790,662 for the fiscal year ended September 30, 2019.

FRS Pension Plan

Plan Description - The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) – Members in senior management level positions.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62, or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to four years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided - Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service:</u>	<u>% Value</u>
Regular Class Members Initially Enrolled before July 1, 2011	
Retirement Up to Age 62 or Up to 30 Years of Service	1.60
Retirement Up to Age 63 or Up to 31 Years of Service	1.63
Retirement Up to Age 64 or Up to 32 Years of Service	1.65
Retirement Up to Age 65 or Up to 33 Years of Service	1.68
Regular Class Members Initially Enrolled on or After July 1, 2011	
Retirement Up to Age 65 or Up to 33 Years of Service	1.60
Retirement Up to Age 66 or Up to 34 Years of Service	1.63
Retirement Up to Age 67 or Up to 35 Years of Service	1.65
Retirement Up to Age 68 or Up to 36 Years of Service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions - The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the City, effective July 1, 2018, were applied to employee salaries as follows: regular employees 8.26%, senior management 24.06%, and DROP participants 14.03%. The City's contributions to the FRS Plan were \$111,507 for the year ended September 30, 2019.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Pension Costs - At September 30, 2019, the City reported a liability of \$1,030,158 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2019, the City's proportionate share was 0.002991289%, which was an increase of 0.000485260% from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$530,167. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 61,102	\$ (639)
Changes of Actuarial Assumptions	264,589	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(56,994)
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	192,166	(1,124)
City Contributions Subsequent to the Measurement Date	40,892	-
Total	<u>\$ 558,749</u>	<u>\$ (58,757)</u>

\$40,892 reported as deferred outflows of resources related to pensions resulting from City contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 155,733
2021	81,297
2022	105,133
2023	75,996
2024	31,401
Thereafter	9,540

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60% Per Year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	6.90%

Mortality rates were based on the PUB2010 base table, varies by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption.

The target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0 %	3.3 %	3.3 %	1.2 %
Fixed Income	18.0	4.1	4.1	3.5
Global Equity	54.0	8.0	6.8	16.5
Real Estate (Property)	10.0	6.7	6.1	11.7
Private Equity	11.0	11.2	8.4	25.8
Strategic Investments	6.0	5.9	5.7	6.7
Totals	<u>100.0 %</u>			
Assumed Inflation - Mean			2.6 %	1.7 %

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.9% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Pension Liability Sensitivity - The following presents the City's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
FRS Plan Discount Rate	5.90%	6.90%	7.90%
City's Proportionate Share of the FRS Plan Net Pension Liability	\$ 1,780,801	\$ 1,030,158	\$ 403,245

Pension Plan Fiduciary Net Position - Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services' website at <http://www.dms.myflorida.com>.

Health Insurance Subsidy Program (HIS)

HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

Benefits Provided - For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The City's contributions to the HIS Plan were \$24,403 for the year ended September 30, 2019.

Pension Costs - At September 30, 2019, the City reported a liability of \$466,839 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportion of the net pension liability was based on the City's contributions received by HIS during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all participating employers. At June 30, 2019, the City's proportion was 0.004172300%, which was an increase of 0.000364100% from its proportion measured as of June 30, 2018.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

For the year ended September 30, 2019, the City recognized pension expense of \$260,495 for its proportionate share of HIS's pension expense. In addition, the City reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 5,672	\$ (572)
Changes in Actuarial Assumptions	54,054	(38,158)
Net Difference Between Projected and Actual on HIS Program Investments	300	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	182,269	(4,774)
City Contributions Subsequent to the Measurement Date	7,554	-
Total	<u>\$ 249,849</u>	<u>\$ (43,504)</u>

\$7,554 reported as deferred outflows of resources related to pensions resulting from City contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 53,542
2021	54,911
2022	45,897
2023	18,339
2024	14,774
Thereafter	11,328

Actuarial Assumptions - The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% Per Year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.50%

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability was 3.50% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Pension Liability Sensitivity - The following presents the City's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
HIS Plan Discount Rate	2.50%	3.50%	4.50%
City's Proportionate Share of the HIS Plan Net Pension Liability	\$ 532,920	\$ 466,839	\$ 411,800

Pension Plan Fiduciary Net Position - Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

Investment Plan

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

Investment Plan (Continued)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the investment plan's fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$12,035 for the year ended September 30, 2019. Employee contributions to the Investment Plan totaled \$10,100 for the year ended September 30, 2019.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Summary

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

Description	Police Officers'	Firefighters'	FRS	HIS	Total
Net Pension Asset	\$ 134,106	\$ -	\$ -	\$ -	\$ 134,106
Net Pension Liability	-	1,109,780	1,030,158	466,839	2,606,777
Deferred Outflows of Resources	97,456	746,708	558,749	249,849	1,652,762
Deferred Inflows of Resources	-	287,892	58,757	43,504	390,153
Pension Expense	363,943	265,111	530,167	260,495	1,419,716

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, the Firefighters Retirement System and those employees who elected to not be covered by the Florida Retirement System effective April 1, 2015. 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, 2019 for eligible employees participating in the plan was \$126,827. The City's total payroll for all employees was \$2,567,462.

As of September 30, 2019, the City's contributions to the plan were \$17,859 on behalf of the six employees participating during the fiscal year. The total voluntary employee contributions to the plan amounted to \$900.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 13 DEFICITS

The CDBG Fund has an unrestricted net position deficit of \$5,000 as of September 30, 2019. This deficit is primarily due to the CDBG's grant reimbursements not being received within the period of availability for revenue recognition.

The Airport Fund has an unrestricted net position deficit of \$362,094 as of September 30, 2019. This deficit is primarily due to the airport's operating expenses exceeding operating revenues.

NOTE 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, 2019 the City received rent revenue from operating leases of \$254,224.

The following is a schedule for the next five years of minimum future rent revenues from noncancelable operating leases as of September 30, 2019:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 97,048
2021	82,200
2022	81,000
2023	81,000
2024	1,000
2025-2029	5,000
2030-2034	5,000
2035-2039	3,000

At September 30, 2019 the value of buildings and hangars held for leasing was as follows:

Cost	\$ 3,858,847
Accumulated Depreciation	<u>(2,512,377)</u>
Net Book Value	<u><u>\$ 1,346,470</u></u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 15 LEASES (CONTINUED)

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, 2019, \$143,615, \$150,540, and \$74,226 of general improvements, tenant specific improvements, and financing costs, respectively, were available for rental offsets in the future. At September 30, 2019, \$294,155 is reported in the Airport fund as unearned revenue in connection with the rental offsets available to use in the future by the tenant.

NOTE 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.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS**

Measurement Date	9/30/2018	9/30/2017
Total OPEB Liability		
Service Cost	\$ 35,007	\$ 36,591
Interest	18,092	15,088
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	-	-
Changes of Assumptions	(23,299)	(24,837)
Benefit Payments	(22,155)	(20,372)
Net Change in Total OPEB Liability	7,645	6,470
Total OPEB Liability - Beginning of Year	473,024	466,554
Total OPEB Liability - End of Year	\$ 480,669	\$ 473,024
Covered Employee Payroll	\$ 2,395,122	\$ 2,259,549
Total OPEB Liability as a Percentage of the Covered Employee Payroll	20.07 %	20.93 %

Notes to Schedule:

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

Covered Employee Payroll was projected one year forward from the valuation date for the reporting period ended September 30, 2019 and 2018.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

FY 2019	4.18%
FY 2018	3.64%
FY 2017	3.06%

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

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' RETIREMENT SYSTEM
LAST TEN MEASUREMENT PERIODS**

Measurement Date	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability					
Service Cost	\$ 21,881	\$ 43,637	\$ 43,485	\$ 34,314	\$ 37,818
Interest	478,398	473,710	457,532	464,239	448,862
Change in Excess State Money	-	-	44,955	-	-
Share Plan Allocation	28,839	23,267	(44,955)	-	-
Difference Between Expected and Actual Experience	(121,947)	(107,123)	(156,072)	(302,143)	-
Change of Assumptions	349,415	-	138,973	-	-
Benefit Payments, Including Refunds of Employee Contributions	(352,143)	(354,136)	(299,468)	(279,363)	(302,555)
Net Change in Total Pensions Liability	404,443	79,355	184,450	(82,953)	184,125
Total Pension Liability - Beginning of Year	6,134,163	6,054,808	5,870,358	5,953,311	5,769,186
TOTAL PENSION LIABILITY - End of Year	\$ 6,538,606	\$ 6,134,163	\$ 6,054,808	\$ 5,870,358	\$ 5,953,311
Plan Fiduciary Net Position					
Contributions - Employer	\$ -	\$ -	\$ 25,000	\$ 88,490	\$ 130,000
Contributions - State of Florida	63,092	58,391	55,147	54,943	51,390
Contributions - Employee	4,159	7,358	9,075	7,634	8,173
Net Investment Income	478,081	722,846	373,165	(71,456)	565,325
Benefit Payments and Refunds	(352,143)	(354,136)	(299,468)	(279,363)	(302,555)
Administrative Expenses	(50,669)	(54,683)	(35,897)	(39,185)	(71,749)
Net Change in Plan Fiduciary Net Position	142,520	379,776	127,022	(238,937)	380,584
Plan Fiduciary Net Position - Beginning of Year	6,530,192	6,150,416	6,023,394	6,262,331	5,881,747
PLAN FIDUCIARY NET POSITION - End of Year	\$ 6,672,712	\$ 6,530,192	\$ 6,150,416	\$ 6,023,394	\$ 6,262,331
Net Pension (Asset) Liability	\$ (134,106)	\$ (396,029)	\$ (95,608)	\$ (153,036)	\$ (309,020)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.05%	106.46%	101.58%	102.61%	105.19%
Covered Payroll	\$ 83,181	\$ 148,690	\$ 181,491	\$ 152,797	\$ 157,429
Net Pension Liability as a Percentage of the Covered Employee Payroll	-161.22%	-266.35%	-52.68%	-100.16%	-196.29%

Additional years will be added to this schedule annually until 10 years' data is presented.

Notes to Schedule

Change of benefit terms:

For measurement date September 30, 2016:

Ordinance 03-16 was adopted which made the following changes:

For members hired after April 27, 2014, a benefit accrual rate was lowered from 3.0% to 2.0% of the Average Final Compensation for each year of Credited Service.

For members hired after April 27, 2014, the benefit of normal retirement after the completion of 20 years of credited services was changed to the completion of 25 years of credited service, regardless of age

Changes of assumptions:

For measurement date 9/30/19, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.5% to 7.0% per year compounded annually, net of investment related expenses.

For measurement date 9/30/18, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 8.00% to 7.5% per year compounded annually, net of investment related expenses.

For measurement date 9/30/16, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT SYSTEM
LAST TEN MEASUREMENT PERIODS**

Measurement Date	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability					
Service Cost	\$ 139,148	\$ 108,643	\$ 143,226	\$ 153,105	\$ 146,250
Interest	536,361	532,439	497,788	475,799	445,552
Change in Excess State Money	-	(81,652)	5,991	4,481	9,205
Share Plan Allocation	-	43,839	-	-	-
Change in Benefit Terms	-	-	-	-	-
Differences between expected and actual experience	191,813	(184,278)	(60,536)	(104,097)	-
Change of Assumptions	(21,036)	-	206,276	-	-
Benefit Payments, Including Refunds of Employee Contributions	(600,203)	(360,884)	(249,242)	(213,139)	(203,603)
Net Change in Total Pensions Liability	246,083	58,107	543,503	316,149	397,404
Total Pension Liability - Beginning of Year	7,081,743	7,023,636	6,480,133	6,163,984	5,766,580
TOTAL PENSION LIABILITY - End of Year	\$ 7,327,826	\$ 7,081,743	\$ 7,023,636	\$ 6,480,133	\$ 6,163,984
Plan Fiduciary Net Position					
Contributions - Employer	\$ 330,429	\$ 363,321	\$ 330,229	\$ 412,081	\$ 342,083
Contributions - State of Florida	39,835	49,927	43,087	41,577	46,301
Contributions - Employee	31,510	32,690	29,590	33,093	33,750
Net Investment Income	529,834	634,997	327,419	(36,226)	439,120
Benefit Payments and Refunds	(600,203)	(360,882)	(249,242)	(213,139)	(203,603)
Administrative Expenses	(66,011)	(54,265)	(57,291)	(66,097)	(53,989)
Net Change in Plan Fiduciary Net Position	265,394	665,788	423,792	171,289	603,662
Plan Fiduciary Net Position - Beginning of Year	5,952,652	5,286,864	4,863,072	4,691,783	4,088,121
PLAN FIDUCIARY NET POSITION - End of Year	\$ 6,218,046	\$ 5,952,652	\$ 5,286,864	\$ 4,863,072	\$ 4,691,783
Net Pension (Asset) Liability	\$ 1,109,780	\$ 1,129,091	\$ 1,736,772	\$ 1,617,061	\$ 1,472,201
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.86%	84.06%	75.27%	75.05%	76.12%
Covered Payroll	\$ 630,200	\$ 653,809	\$ 591,797	\$ 667,541	\$ 677,155
Net Pension Liability as a Percentage of the Covered Employee Payroll	176.10%	172.69%	293.47%	242.24%	217.41%

Additional years will be added to this schedule annually until 10 years' data is presented.

Notes to Schedule

Changes of assumptions:

For measurement date 09/30/2018, the amounts reported as changes to assumptions reflected the results of the October 19, 2018 experience study and included changes to the assumed salary increase rates, withdrawal rates, early and normal retirement rates and included a reduction in the assumed investment rate of return from 7.75% to 7.50%.

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the FRS

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

Changes of benefit terms:

For measurement date September 30, 2019, the benefit accrual rate has been increased from 2.00% to 3.16% per year for each year of credited service for all members hired after October 31, 2013.

For measurement date September 30, 2019, Chapter 2019-21, Laws of Florida was signed into effect grants certain disability benefits to firefighters participating in an employer-sponsored retirement plan. Effective July 1, 2019, "the retirement plan must consider the firefighter totally and permanently disabled due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer."

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
POLICE OFFICERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

Year Ended September 30,	Actuarially Determined Contribution	Contributions In Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2019	\$ 18,170	\$ 68,686	\$ 50,516	\$ 29,846	60.88%
2018	34,253	34,253	-	83,181	41.18%
2017	35,124	35,124	-	148,690	23.62%
2016	75,649	80,147	4,498	181,491	44.16%
2015	139,880	143,433	3,553	152,797	93.87%
2014	178,966	181,390	2,424	157,429	115.22%

Additional years will be added to this schedule annually until 10 years data is presented.

Notes to Schedule

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

Valuation date - for September 30, 2019 contributions, the valuation date was as of October 1, 2017.

Actuarial Cost Method - the entry age normal actuarial cost method is used.

Amortization method - level dollar, closed.

Remaining amortization period - 25 years as of the October 1, 2017 valuation.

Asset valuation method - each year, the actuarial value of assets is brought forward utilizing the historical geometric four year average market value, net of fees.

Payroll growth - None

Salary increases - 6% per year until the assumed retirement age.

Cost of living - 1.46% automatic lifetime COLA, beginning one year after the normal retirement.

Investment rate of return - 8.0% per year compounded annually, net of investment related expenses.

Retirement age - Members hired on/before April 27, 2014, the normal retirement date is the earlier of (1) age 55 with 10 years of credited service, (2) the completion of 20 years of credited service, regardless of age or (3) attainment of age 60, regardless of years of credited service.

Mortality rates were based on the RP-2000 mortality tables for active, inactive and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB.

Termination and disability rate table:

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
FIREFIGHTERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

Year Ended September 30,	Actuarially Determined Contribution	Contributions In Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2019	\$ 445,653	\$ 483,725	\$ 38,072	\$ 647,238	74.74%
2018	367,525	370,264	2,739	630,200	58.75%
2017	406,640	410,236	3,596	653,809	62.75%
2016	400,417	409,757	9,340	591,797	69.24%
2015	406,922	449,177	42,255	749,322	59.94%
2014	379,179	379,179	-	677,155	56.00%

Additional years will be added to this schedule annually until 10 years data is presented.

Notes to Schedule

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

Valuation date - for September 30, 2019 contributions, the valuation date was as of October 1, 2017.

Actuarial Cost Method - the entry age normal actuarial cost method is used.

Amortization method - level percentage of pay, closed.

Asset valuation method - The actuarial value of the Plan assets are brought forward each year using the historical four-year geometric average of market value returns, net of fees.

Payroll growth - 0%

Salary increases - 6%

Cost of living - 3% automatic adjustment for five years for all retirees, excluding vested terminated members, beginning the first October 1 following the later of retirement age and 58.

Investment rate of return - 7.75% per year compounded annually, net of investment related expenses.

Retirement age - earlier of age 55 with 10 years of service, or age 52 with 25 years of service. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.

Mortality rates were based on the RP-2000 mortality tables for active, inactive and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB, when applicable.

Termination and disability rate table:

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY -
FLORIDA RETIREMENT SYSTEM PENSION PLAN ¹
LAST TEN MEASUREMENT PERIODS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability	0.002991289%	0.002506030%	0.002295989%	0.002149501%	0.001058703%
City's Proportionate Share of the Net Pension Liability	\$ 1,030,158	\$ 754,829	\$ 679,138	\$ 542,751	\$ 136,746
City's Covered Payroll	\$ 1,111,194	\$ 1,238,447	\$ 954,979	\$ 927,819	\$ 360,509
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	92.71%	60.95%	71.12%	58.50%	37.93%
Liability	82.61%	84.26%	83.89%	84.88%	92.00%

* The amounts presented for each fiscal year were determined as of June 30.

¹ Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEM PENSION PLAN ¹
LAST TEN FISCAL YEARS**

	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 111,507	\$ 74,795	\$ 61,407	\$ 58,491	\$ 34,552
Contributions in Relation to the Contractually Required Contribution	(111,507)	(74,795)	(61,407)	(58,491)	(34,552)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,133,089	\$ 1,304,812	\$ 977,962	\$ 1,013,067	\$ 518,601
Contributions as a Percentage of Covered Employee Payroll	9.84%	5.73%	6.28%	5.77%	6.66%

* The amounts presented for each fiscal year were determined as of September 30.

¹ Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY -
HEALTH INSURANCE SUBSIDY PENSION PLAN ¹
LAST TEN MEASUREMENT PERIODS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability	0.004172300%	0.003808200%	0.003207676%	0.003005484%	0.001178455%
City's Proportionate Share of the Net Pension Liability	\$ 466,839	\$ 403,064	\$ 342,980	\$ 350,277	\$ 120,184
City's Covered Payroll	\$ 1,397,628	\$ 1,243,830	\$ 1,028,400	\$ 927,819	\$ 360,509
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	33.40%	32.41%	33.35%	37.75%	33.34%
Liability	2.63%	2.15%	1.64%	0.97%	0.50%

* The amounts presented for each fiscal year were determined as of June 30.

¹ Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S CONTRIBUTIONS -
HEALTH INSURANCE SUBSIDY PENSION PLAN ¹
LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 24,402	\$ 21,771	\$ 17,531	\$ 16,820	\$ 7,312
Contributions in Relation to the Contractually Required Contribution	<u>(24,402)</u>	<u>(21,771)</u>	<u>(17,531)</u>	<u>(16,820)</u>	<u>(7,312)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,469,769	\$ 1,311,165	\$ 1,062,216	\$ 1,013,067	\$ 518,601
Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.65%	1.66%	1.41%

* The amounts presented for each fiscal year were determined as of September 30.

¹ Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

SUPPLEMENTARY INFORMATION

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, 2019.

**CITY OF AVON PARK, FLORIDA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES – CRA FUNDS
 YEAR ENDED SEPTEMBER 30, 2019**

	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	\$ 4,940	\$ 1,381	\$ 705	\$ 7,026
Highlands County	140,789	39,380	20,078	200,247
Insurance Proceeds	25,731	-	-	25,731
Total Revenues	<u>171,460</u>	<u>40,761</u>	<u>20,783</u>	<u>233,004</u>
EXPENDITURES				
Personal Services	9,136	4,044	677	13,857
Professional Services	2,947	2,947	2,947	8,841
Miscellaneous	13,211	4,336	113	17,660
Grants and Subsidies	5,361	3,135	-	8,496
Capital Projects	9,710	-	-	9,710
Total Expenditures	<u>40,365</u>	<u>14,462</u>	<u>3,737</u>	<u>58,564</u>
NET CHANGE IN FUND BALANCE	131,095	26,299	17,046	174,440
Fund Balances - Beginning of year	<u>(194,492)</u>	<u>62,571</u>	<u>110,781</u>	<u>(21,140)</u>
FUND BALANCE - END OF YEAR	<u>\$ (63,397)</u>	<u>\$ 88,870</u>	<u>\$ 127,827</u>	<u>\$ 153,300</u>

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CDBG FUND
SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 800,000	\$ 800,000	\$ -	\$ (800,000)
Total Revenues	<u>800,000</u>	<u>800,000</u>	<u>-</u>	<u>(800,000)</u>
EXPENDITURES				
Economic Environment	<u>800,000</u>	<u>800,000</u>	<u>5,000</u>	<u>795,000</u>
Total Expenditures	<u>800,000</u>	<u>800,000</u>	<u>5,000</u>	<u>795,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(5,000)	(5,000)
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	(5,000)	(5,000)
Fund Balances - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (5,000)</u></u>	<u><u>\$ (5,000)</u></u>

**CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2019**

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
ASSETS			
Cash and Cash Equivalents	\$ 139,793	\$ 68,162	\$ 207,955
Receivables:			
Contribution Receivable:			
Plan Members	-	1,241	1,241
State of Florida	-	38,071	38,071
Brokerage Transactions	-	516,221	516,221
Accrued Income	<u>9,225</u>	<u>12,057</u>	<u>21,282</u>
Total Receivables	9,225	567,590	576,815
Prepaid Benefit Payments	35,805	32,683	68,488
Investments, at Fair Market Value:			
Multi-Sector Fixed Income Mutual Funds	-	304,008	304,008
Fixed Income Mutual Funds	1,994,486	-	1,994,486
U.S. Government and Agencies	-	1,007,231	1,007,231
Corporate and Foreign Bonds	-	310,865	310,865
Equity Securities and Mutual Funds	3,706,159	3,672,654	7,378,813
Real Estate Investment Fund	<u>513,874</u>	<u>518,109</u>	<u>1,031,983</u>
Total Investments	6,214,519	5,812,867	12,027,386
 Total Assets	 6,399,342	 6,481,302	 12,880,644
LIABILITIES			
Accounts Payable	<u>-</u>	<u>15,371</u>	<u>15,371</u>
 Net Position Restricted for Pensions	 <u>\$ 6,399,342</u>	 <u>\$ 6,465,931</u>	 <u>\$ 12,865,273</u>

**CITY OF AVON PARK, FLORIDA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION TRUST FUNDS
 SEPTEMBER 30, 2019**

	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions:			
City	\$ -	\$ 445,654	\$ 445,654
Plan Members	1,441	32,362	33,803
State of Florida	67,245	38,071	105,316
Total Contributions	<u>68,686</u>	<u>516,087</u>	<u>584,773</u>
Investment Income	217,760	251,247	469,007
Less Investment Expenses:			
Investment Management Fees	19,183	10,353	29,536
Custodial Fees	4,295	4,065	8,360
Performance Evaluation Fees	17,000	21,250	38,250
Total Investment Expenses	<u>40,478</u>	<u>35,668</u>	<u>76,146</u>
Net Investment Income	<u>177,282</u>	<u>215,579</u>	<u>392,861</u>
Total Additions	245,968	731,666	977,634
DEDUCTIONS			
Administrative Expenses	63,413	78,852	142,265
Payments to Retirees and Participants	455,925	404,929	860,854
Total Deductions	<u>519,338</u>	<u>483,781</u>	<u>1,003,119</u>
NET INCREASE IN NET POSITION	(273,370)	247,885	(25,485)
Net Position Restricted for Pensions - Beginning of Year	<u>6,672,712</u>	<u>6,218,046</u>	<u>12,890,758</u>
NET POSITION RESTRICTED FOR PENSION - END OF YEAR	<u>\$ 6,399,342</u>	<u>\$ 6,465,931</u>	<u>\$ 12,865,273</u>



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

Honorable Mayor and Members
of 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 (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 6, 2020. 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.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, which we considered to be material weaknesses.

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

Compliance and Other Matters

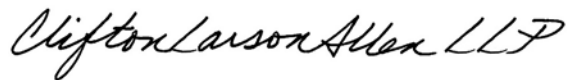
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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, Florida's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Sebring, Florida
October 6, 2020



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 (the City), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated October 6, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated October 6, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

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

Financial Condition and Management

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

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

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

Special District Component Units

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. Our recommendations are included in the accompanying schedule of findings and responses as 2019-003.

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
October 6, 2020

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2019**

STATUS OF PRIOR YEAR FINDINGS

Prior Year Findings	Current Year Status			Current	2017-2018	2016-2017
	Cleared	Partially Cleared	Not Cleared	Year Finding #	Year Finding #	Year Finding #
Budgets			X	2019-003	2018-008	2017-002
Timeliness of Review			X	2019-001	2018-001	N/A
Procurement of Goods and Services	X			N/A	2018-002	N/A
Timeliness of Financial Statement Reporting			X	2019-002	2018-003	N/A
Reporting	X			N/A	2018-004	N/A
Cash Management	X			N/A	2018-005	N/A
Special Tests and Provisions	X			N/A	2018-006	N/A
Continuing Education for Investments	X			N/A	2018-007	N/A

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2019-001 – Timeliness of Review

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Reconciliations of account balances and information used to derive financial statement balances should be reviewed in a timely manner. This includes the following:

- Bank reconciliations

Criteria or specific requirement: The City’s management is responsible for establishing and maintaining internal control over account balances. Timely review of account reconciliations is key to maintaining adequate internal control over account and financial statement balances.

Context: Walkthroughs of internal controls over financial reporting identified the deficiencies.

Effect: Not reviewing the reconciliations on a timely basis could result in undetected errors, including misstatement of cash or other general ledger accounts.

Cause: The City is working through staffing constraints, including extensive turnover in management positions, which has caused a backlog in review processes.

Recommendation: Management should improve on the timeliness of its review processes. The City should consistently implement internal control processes requiring that all reconciliations be reviewed and approved by a member of management not responsible for the preparation of the item.

Views of responsible officials and planned corrective actions: Management understands the importance of establishing and maintaining a strong internal control system. Management concurs with the finding and will implement the appropriate processes to review account reconciliations in a timely manner.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2019**

2019-002 – Timeliness of Financial Statement Reporting

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Delays in completing reconciliations, preparing schedules, and providing data to the City's actuary resulted in delays in preparing the City's annual financial statements.

Criteria or specific requirement: City management is responsible for establishing and maintaining internal controls over the financial statement close and reporting processes.

Context: Performance of standard audit procedures detected the issues.

Effect: The City has not complied with Sections 218.32 and 218.39, Florida Statutes, which require that Florida local governments complete an annual audit and submit a financial report no later than nine months after the end of the fiscal year.

Cause: The City experienced extensive turnover in management positions, which caused delays in completing the documents necessary to prepare the financial statements and complete the audit.

Recommendation: The City should ensure that sufficient internal and external resources are in place to timely reconcile account balances, prepare supporting schedules, and accumulate accurate census data for actuarial valuation.

Views of responsible officials and planned corrective actions: Management concurs with the finding and recommendation.

The City experienced extensive turnover in management positions, which caused delays in completing the documents necessary to prepare the financial statements and complete the audit. Management is systematically hiring staff to eliminate this problem for subsequent years.

Management also is considering entering into a contract for the compilation of comprehensive annual financial reports and other services, which will clearly state goals, objectives, and deadlines with its current provider. The City had requested an engagement letter defining an understanding of services and procedures to be performed on the City's behalf. Never having received it, management can only assume it did not exist. Management believes securing this document will provide it with leverage for future services.

If those negotiations fail, the City will seek quotes/bids for the compilation of comprehensive annual financial reports and other services.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2019**

2019-003: Budgets and Budget Amendments

Type of Finding:

- Control Deficiency & State Compliance

Condition: Expenditures exceeded the final budget in the following departments.

- General Fund – City Council department exceeded the final budget by \$2,865.
- General Fund – City Manager department exceeded the final budget by \$38,942
- General Fund – Legal Counsel department exceeded the final budget by \$54,146
- General Fund – Other Governmental Services department exceeded the final budget by \$5,007
- General Fund – Code Enforcement department exceeded the final budget by \$42,057
- General Fund – Recreation department exceeded the final budget by \$93,277
- General Fund – Community Center department exceeded the final budget by \$4,295

Criteria or specific requirement: The City's annual budget is adopted by the City Council at the department level. Therefore, the City's legal level of budgetary control is at the department level.

Context: Review of final budget and actual amounts identified the condition.

Effect: Several Departments in the General Fund reported expenditures in excess of the final budget.

Cause: Amendments to the budget were not requested for transactions that exceeded the current budget in those departments.

Recommendation: Budgets should be monitored and amended in a timely manner, to ensure that the City does not incur expenditures in excess of the budgeted amounts.

Views of Responsible Officials: In its entirety, no fund expenditures exceeded its final budget for the fiscal year. However, standards require department expenditures exceed its final budget.

Management concurs with the finding and recommendation. Corrective action has already been implemented. Final budget amendments will be posted within the statutory timeline.



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, 2019. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sebring, Florida
October 6, 2020