

CITY OF AVON PARK, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds, which represent 100 percent, 100 percent, and 99 percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the pension trust funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*.

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

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, 2020, 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 15, information on other postemployment benefits on page 78, and information on pension benefits on pages 79 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, 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 8, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
October 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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, 2020.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by \$57.4 million (net position). Of this amount, \$35.5 million represented the City's net investment in capital assets, and \$6.4 million was restricted by laws or capital projects. The remaining \$15.5 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased \$3.9 million from its current year activity, of which \$0.2 million was an increase from governmental activities, and \$3.7 million was an increase from business-type activities.
- As of September 30, 2020, the City reported combined governmental ending fund balances of \$11.8 million, an increase of \$1.9 million from the prior year. In addition, the City reported a combined proprietary fund net position of \$38.6 million, an increase of \$ 3.7 million from the prior year.
- At September 30, 2020, unassigned fund balance (the City's Reserves) for the general fund was \$4.6 million, or 95% 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.

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.

CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

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 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.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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 postemployment benefits to its employees. Required supplementary information can be found on pages 78-88 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 \$57.4 million at the close of the most recent fiscal year.

The largest portion of the City's net position, \$35.5 million (61.8%), 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, \$6.4 million (11.1%), represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$15.5 million (27.1%).

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

CITY OF AVON PARK'S NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and Other Assets | \$ 12,147,743 | \$ 10,831,584 | \$ 14,804,289 | \$ 12,261,727 | \$ 26,952,032 | \$ 23,093,311 |
| Capital Assets | 8,784,908 | 9,306,591 | 28,032,851 | 25,492,830 | 36,817,759 | 34,799,421 |
| Total Assets | 20,932,651 | 20,138,175 | 42,837,140 | 37,754,557 | 63,769,791 | 57,892,732 |
| Deferred Outflows of Resources | 1,216,663 | 1,075,383 | 647,481 | 604,717 | 1,864,144 | 1,680,100 |
| Long-Term Liabilities | | | | | | |
| Outstanding | 2,552,813 | 1,936,965 | 1,642,896 | 1,375,772 | 4,195,709 | 3,312,737 |
| Other Liabilities | 321,110 | 266,305 | 3,108,036 | 1,970,721 | 3,429,146 | 2,237,026 |
| Total Liabilities | 2,873,923 | 2,203,270 | 4,750,932 | 3,346,493 | 7,624,855 | 5,549,763 |
| Deferred Inflows of Resources | 418,449 | 337,795 | 120,348 | 92,387 | 538,797 | 430,182 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 8,781,986 | 9,306,591 | 26,754,316 | 25,193,170 | 35,536,302 | 34,499,761 |
| Restricted | 6,203,096 | 4,614,889 | 188,382 | - | 6,391,478 | 4,614,889 |
| Unrestricted | 3,871,860 | 4,751,013 | 11,670,643 | 9,727,224 | 15,542,503 | 14,478,237 |
| Total Net Position | \$ 18,856,942 | \$ 18,672,493 | \$ 38,613,341 | \$ 34,920,394 | \$ 57,470,283 | \$ 53,592,887 |

Governmental Activities. For the current year, total assets increased \$794,476; deferred outflows of resources increased \$141,280; total liabilities increased \$670,653; deferred inflows of resources increased \$80,654; resulting in an increase to net position of \$184,449.

The significant changes in total assets include an increase in cash of \$2,168,606; with offsetting decreases in net pension assets of \$134,106 and due from other governments of \$542,887. Other changes were a \$10,453 decrease in prepaid items; \$165,001 decrease in net receivables and internal balances; and a decrease of \$521,683 in net investment in capital assets, \$682,689 of which was in accumulated depreciation.

The increase in deferred outflows and the increase in deferred inflows represent actuarial differences for pension and other postemployment benefits to be recognized as expenses in future periods. The increase in deferred outflows of resources is primarily due to the current year's investment performance for the police pension plan was less than actuarial projection for the current year. The increase in deferred inflows is primarily due to a current year actuarial difference for other postemployment benefits update of actuarial assumptions and census information.

The significant changes in total liabilities, which increased \$670,653 in total, include an increase in net pension liability of \$693,939. Other changes include an increase in accounts payable and accrued liabilities of \$52,927, an increase in unearned revenue of \$1,878, a decrease of \$106,075 in other postemployment benefits and a total increase in liabilities due within one year and more than one year of \$27,984.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Business-type Activities. For the current year, total assets increased \$5,082,583; deferred outflows of resources increased \$42,764; total liabilities increased \$1,404,439; and deferred inflows of resources decreased \$27,961, which resulted in an increase to net position of \$3,692,947.

Significant changes in total assets include an increase in total cash of \$594,642, of which \$522,312 is restricted for future utility system improvements; a \$68,649 increase in net receivables and internal balances; an increase in inventory of \$10,530; a net increase in capital assets of \$2,540,021, and an increase in due from other governments of \$1,868,741. The current year's unrestricted cash increase was \$1,068,389 less than the prior year's increase. This decrease is primarily from the City's use of current year operating cash to finance grant funded projects for water, sewer, and airport capital assets while it waited for cash requests on these grant projects. Of the increase in due from other governments, \$1,628,519 is from water and sewer and \$240,222 is from airport capital assets improvements. The increase in capital assets is primarily from \$2,572,038 of additions that was offset from current year depreciation of \$1,744,557. Stated another way, the increase in new capital assets was more than the depreciation of all capital assets.

Significant changes in total liabilities include increases in long-term liabilities and other liabilities of \$267,124 and \$1,137,315, respectively. The increase in long-term liabilities is from net pension liabilities increasing \$313,820 from the City's participation in the Florida Retirement System and other postemployment benefits decreasing \$42,124. The increase in other liabilities is \$1,032,087 from accounts payable of which \$698,157 being payable from unrestricted assets and \$333,930 being payable from restricted assets. In addition, deposits increased \$150,228 and unearned revenue decreased \$45,000. The increase to accounts payable is primarily related to unpaid Water and Sewer capital projects and the increase in deposits is from the connection of a significant new water and sewer customer.

Statement of Activities:

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

CITY OF AVON PARK'S CHANGES IN NET POSITION

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 758,153 | \$ 597,636 | \$ 6,932,255 | \$ 7,141,593 | \$ 7,690,408 | \$ 7,739,229 |
| Operating Grants and Contributions | 128,404 | 111,560 | - | 5,566 | 128,404 | 117,126 |
| Capital Grants and Contributions | 166,993 | 694,048 | 3,998,405 | 343,815 | 4,165,398 | 1,037,863 |
| General Revenues: | | | | | | |
| Property Taxes | 338,171 | 285,208 | - | - | 338,171 | 285,208 |
| Other Taxes | 2,871,960 | 2,795,266 | - | - | 2,871,960 | 2,795,266 |
| Insurance Recoveries | 1,000 | 175,631 | 24,470 | 7,505 | 25,470 | 183,136 |
| Other | 1,671,508 | 1,717,625 | 24,334 | 34,233 | 1,695,842 | 1,751,858 |
| Total Revenues | <u>\$ 5,936,189</u> | <u>\$ 6,376,974</u> | <u>\$ 10,979,464</u> | <u>\$ 7,532,712</u> | <u>\$ 16,915,653</u> | <u>\$ 13,909,686</u> |

CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

(Continued)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Total Revenues | \$ 5,936,189 | \$ 6,376,974 | \$10,979,464 | \$ 7,532,712 | \$16,915,653 | \$13,909,686 |
| Expenses: | | | | | | |
| General | | | | | | |
| Government | 936,078 | 843,740 | - | - | 936,078 | 843,740 |
| Public Safety | 4,025,710 | 3,567,795 | - | - | 4,025,710 | 3,567,795 |
| Transportation | 743,041 | 1,241,666 | - | - | 743,041 | 1,241,666 |
| Culture and Recreation | 581,857 | 559,567 | - | - | 581,857 | 559,567 |
| Economic Environment | 56,580 | 40,079 | - | - | 56,580 | 40,079 |
| Water and Sewer | - | - | 4,278,627 | 4,178,987 | 4,278,627 | 4,178,987 |
| Airport | - | - | 805,160 | 793,147 | 805,160 | 793,147 |
| Solid Waste | - | - | 1,611,204 | 1,593,701 | 1,611,204 | 1,593,701 |
| Total Expenses | 6,343,266 | 6,252,847 | 6,694,991 | 6,565,835 | 13,038,257 | 12,818,682 |
| Excess (Deficiency) before Transfers | (407,077) | 124,127 | 4,284,473 | 966,877 | 3,877,396 | 1,091,004 |
| Transfers | 591,526 | 591,677 | (591,526) | (591,677) | - | - |
| Change in Net Position | 184,449 | 715,804 | 3,692,947 | 375,200 | 3,877,396 | 1,091,004 |
| Net Position - Beginning | 18,672,493 | 17,956,689 | 34,920,394 | 34,545,194 | 53,592,887 | 52,501,883 |
| Net Position - Ending | \$18,856,942 | \$18,672,493 | \$38,613,341 | \$34,920,394 | \$57,470,283 | \$53,592,887 |

Governmental Activities. The City's governmental activities' change in net position for the year was an increase of \$184,449, \$531,355 less than last year's increase. Key components of the decrease in growth compared to the prior year were total expenses increasing \$90,419, with a decrease in revenues of \$440,785. Transfers increased slightly during the year.

The decrease in total revenues of \$440,785 includes the following significant changes. An increase of \$160,517 in charges for services and decreases in capital grants and contributions of \$527,055 and insurance recoveries of \$174,631. The increase charges for services is due to an increase in fire assessments of \$168,426 when compared to the prior year. The decrease in capital grants and contributions is due to a state contract for road improvements occurring in the prior year and the decrease in insurance recoveries is due to a significant claim occurring in the prior year.

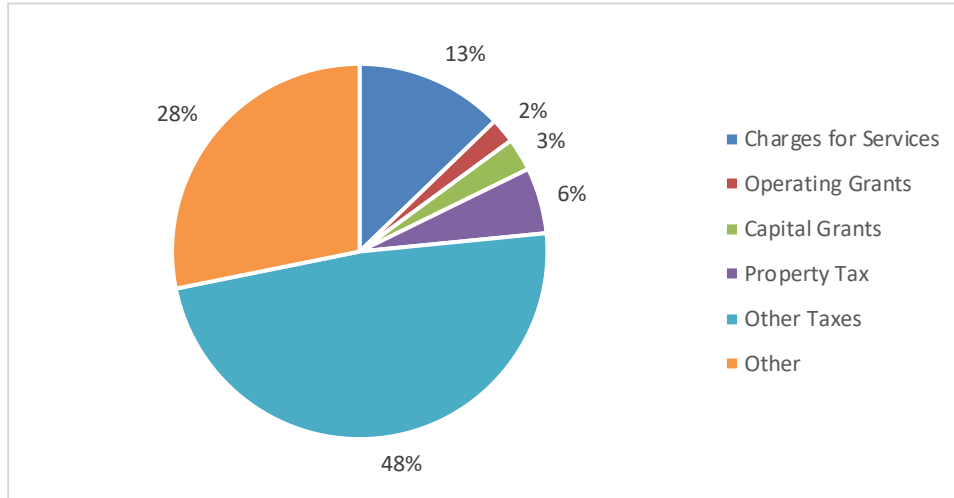
Increases in expenditures include general government (\$92,338), public safety (\$457,915), culture and recreation (\$22,290), and economic environment \$16,501. Transportation programs decreased \$498,625.

The increase in public safety is due to increases in police and fire pension expense of \$293,698 and \$67,129, respectively with the remaining increase primarily being from fire salary and benefit costs. The decrease in transportation program expense is from road project costs in the prior year that were not capitalized not occurring in the current year.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

Revenue by Source – Governmental Activities



In total, the decrease in governmental activities' revenues of \$440,785 is due virtually to a \$527,055 decrease in capital grants and contributions.

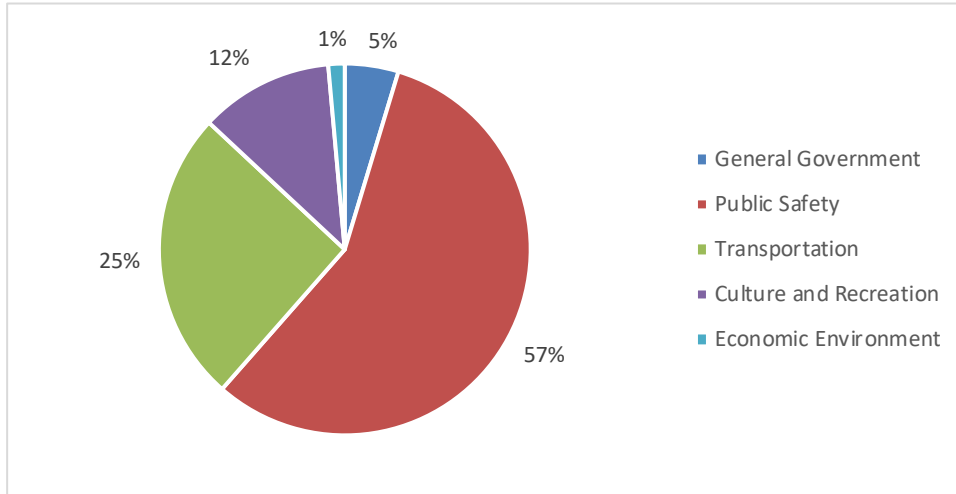
Charges for Services accounts for 13% of revenues generated by governmental activities.

Program Revenue and Charges decreased \$349,695 compared to the prior year activity. Public Safety generated \$598,526 in program revenues/charges for services. The source of this revenue is primarily 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 increased in 2019-2020, as assessments were increased from \$80 per parcel in 2018-2019 to \$112 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.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

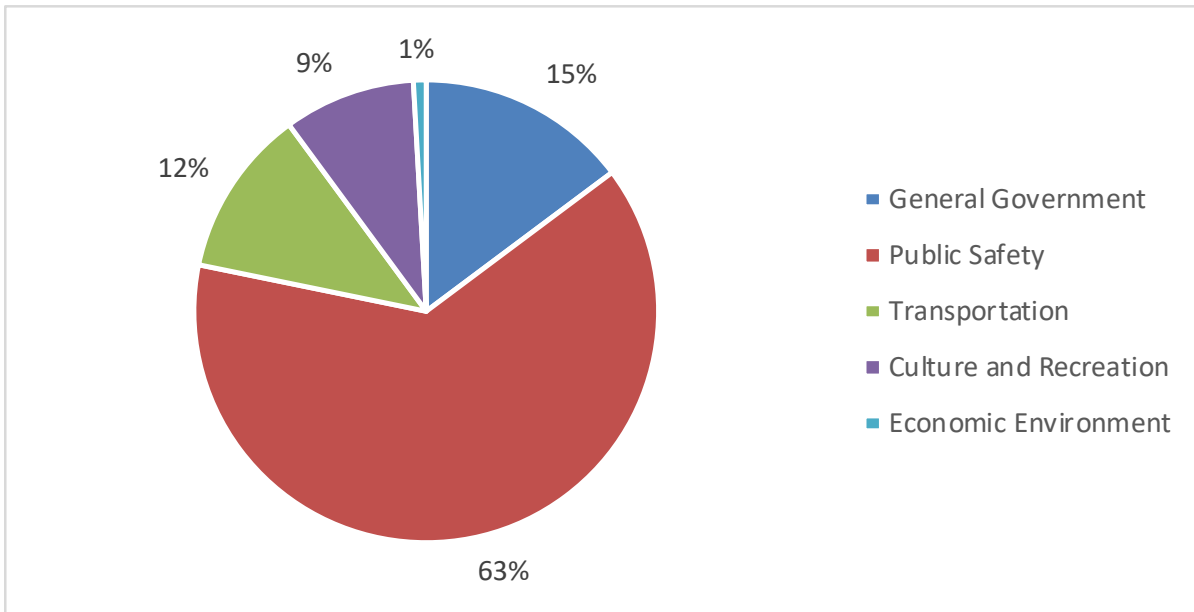
Program revenues and charges for services, by activity, are illustrated in the following chart.

Program Revenue for Governmental Activities



Total program expenses for governmental activities increased \$90,419 when compared to the prior year. Except for Transportation, which decreased \$498,625, all other programs increased as follows – General Government \$92,338; Public Safety \$457,915; Culture and Recreation \$22,290, and Economic Environment \$16,501. The following graph depicts the distribution of costs by activity.

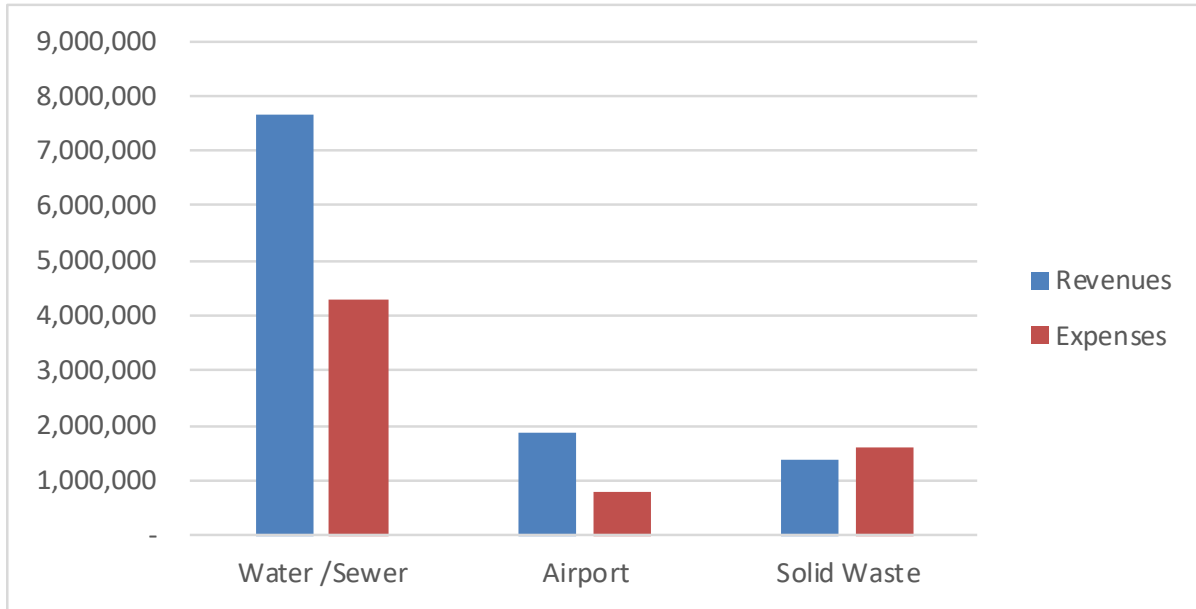
Program Expenses – Governmental Funds



**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Business-type Activities. Business-type activities account for 67% of the City's net position, virtually unchanged from 2019. 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.

Program Revenues and Expenses – Business-Type Activities



The City's business-type activities had excess revenue before transfers of \$4,284,473, an increase of \$3,317,596 in comparison to the prior year. After transfers, business-type activities increased its net position by \$3,692,947, which was an increase of \$3,317,747 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 \$984,944, a decrease of \$275,516 compared to the prior year. The fund had a net decrease in charges for services of \$269,914 and an increase of \$48,190 in miscellaneous fees. Personnel costs increased \$125,049; supply costs decreased \$812; and, depreciation expense decreased \$70,445. Overall expenses increased \$53,792. The decrease in charges for services is partly due to the City providing a one-time utility credit as assistance to its customers during the COVID pandemic.

The Airport Fund had an operating loss of \$477,559, an increase of \$18,171 when compared to the prior year's loss. The revenues decreased \$6,158 and expenses increased \$12,013, of which depreciation increased \$20,342 and supplies expense decreased \$8,329. Adjusting for depreciation, the fund would have a "cash-flow" surplus of \$70,950, which would be \$2,171 more 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.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

The Solid Waste Fund had an operating loss of \$221,043, which is \$4,271 less than the prior year. The revenues increased \$18,544 and expenses increased \$14,273 when compared to the prior year. The changes in expenses includes increases in personnel costs of \$14,234, a decrease in materials and supplies of \$17,663 and an increase in depreciation of \$17,702. Adjusting for depreciation, the fund would have a "cash-flow" surplus of \$25,353, which would be \$21,973 more than the prior year.

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 \$11,839,384, an increase of \$1,936,791 in comparison to the prior year. The unassigned fund balance of \$4,609,669, 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. \$183,650 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 \$4,623,251 while total fund balance reached \$5,667,359. 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 95% and 74%, respectively. The City's fund balance in the general fund for the fiscal year increased \$225,959.

The fund balance of the City's infrastructure fund increased by \$1,011,709 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 \$10,525,316. The Airport and Solid Waste fund's unrestricted net position was (\$44,286) and \$1,189,613, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The General Fund had a total increase of \$5,029 in its original budget appropriation compared to its final budget. Those departments with significant changes include Other Governmental Services (-\$101,395), Finance (-\$76,483), Police (+\$89,250), Fire (+\$46,073), Streets (-\$36,313), and Recreation (+81,407). 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 \$974,832 positive.

The Infrastructure Fund had no changes in total expenditures between the original and final amended budget. For the year, there was an overall favorable budget variance for expenditures in the amount of \$1,087,908. 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 a total increase of \$497,636 in its original budget appropriation compared to its final budget. Favorable budget variances of \$702,783 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 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.

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, 2020, net of accumulated depreciation, is \$36,817,759. 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 \$2,018,338 increase in the City's investment in capital assets for the current fiscal year is the result of capital additions exceeding depreciation for the current year.

City of Avon Park - Changes in Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 404,202 | \$ 404,202 | \$ 2,349,207 | \$ 2,299,975 | \$ 2,753,409 | \$ 2,704,177 |
| Buildings and System | 6,607,254 | 6,730,626 | 45,716,336 | 43,987,853 | 52,323,590 | 50,718,479 |
| Machinery and Equipment | 3,677,412 | 3,872,046 | 7,280,380 | 7,201,676 | 10,957,792 | 11,073,722 |
| Infrastructure | 8,276,053 | 8,276,053 | - | - | 8,276,053 | 8,276,053 |
| Construction in Progress | - | 25,087 | 2,350,066 | 391,260 | 2,350,066 | 416,347 |
| Total Capital Assets | 18,964,921 | 19,308,014 | 57,695,989 | 53,880,764 | 76,660,910 | 73,188,778 |
| Less: Accumulated Depreciation | (10,180,013) | (10,001,423) | (29,663,138) | (28,387,934) | (39,843,151) | (38,389,357) |
| | <u>\$ 8,784,908</u> | <u>\$ 9,306,591</u> | <u>\$ 28,032,851</u> | <u>\$ 25,492,830</u> | <u>\$ 36,817,759</u> | <u>\$ 34,799,421</u> |

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

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Long-term debt. At September 30, 2020 and September 30, 2019, 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 2019 and 2020. City Council increased the current fire assessment from \$80 to \$120 for a single-family home, though methodology studies support a rate as high as \$140. 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 and wastewater utility system with City and state grant funds to extend water mains and force mains north of the City to a new business. In addition, the City established sixty-one new meters/service during fiscal year 2020.

The unemployment rate for the County was 7.1% for the month of September 2020 after reach a high of 11.5% in the month of July 2020 due to the impact of the COVID-19 Virus impact. This decline since the peak in the month of July is a positive sign of improving local financial health.

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

For the 2020-2021 budget cycle, fees for services remained unchanged. Charges for services and utility tax budgeted revenues remained the same.

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, 2020**

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 11,007,022 | \$ 11,029,597 | \$ 22,036,619 |
| Restricted Equity in Pooled Cash and Cash Equivalents | - | 522,312 | 522,312 |
| Receivables, Net | 139,356 | 1,009,941 | 1,149,297 |
| Internal Balances | 245,074 | (245,074) | - |
| Due from Other Governments | 460,190 | 2,385,152 | 2,845,342 |
| Prepaid Items | 11,101 | - | 11,101 |
| Inventory | - | 102,361 | 102,361 |
| Real Estate for Sale | 285,000 | - | 285,000 |
| Capital Assets: | | | |
| Land | 404,202 | 2,349,207 | 2,753,409 |
| Buildings and System | 6,607,254 | 45,716,336 | 52,323,590 |
| Equipment | 3,677,412 | 7,280,380 | 10,957,792 |
| Infrastructure | 8,276,053 | - | 8,276,053 |
| Construction in Progress | - | 2,350,066 | 2,350,066 |
| Accumulated Depreciation | (10,180,013) | (29,663,138) | (39,843,151) |
| Total Assets | <u>20,932,651</u> | <u>42,837,140</u> | <u>63,769,791</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows Related to Pensions | 1,216,663 | 647,481 | 1,864,144 |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | 301,161 | 1,615,260 | 1,916,421 |
| Deposits | - | 1,238,619 | 1,238,619 |
| Unearned Revenue | 19,949 | 254,157 | 274,106 |
| Noncurrent Liabilities: | | | |
| Net Pension Liability | 2,206,063 | 1,408,473 | 3,614,536 |
| Total OPEB Liability | 163,100 | 169,371 | 332,471 |
| Due within One Year | 156,100 | 65,052 | 221,152 |
| Due in More than One Year | 27,550 | - | 27,550 |
| Total Liabilities | <u>2,873,923</u> | <u>4,750,932</u> | <u>7,624,855</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows Related to Pensions | 325,495 | 23,820 | 349,315 |
| Deferred Inflows Related to OPEB | 92,954 | 96,528 | 189,482 |
| Total Deferred Inflows of Resources | <u>418,449</u> | <u>120,348</u> | <u>538,797</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 8,781,986 | 26,754,316 | 35,536,302 |
| Restricted for: | | | |
| Infrastructure | 5,327,524 | 188,382 | 5,515,906 |
| Community Redevelopment | 861,005 | - | 861,005 |
| Other | 14,567 | - | 14,567 |
| Unrestricted | <u>3,871,860</u> | <u>11,670,643</u> | <u>15,542,503</u> |
| Total Net Position | <u>\$ 18,856,942</u> | <u>\$ 38,613,341</u> | <u>\$ 57,470,283</u> |

See accompanying Notes to Financial Statements.

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

| 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 | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 936,078 | \$ 49,175 | \$ - | \$ - | \$ (886,903) | \$ - | \$ (886,903) |
| Public Safety | 4,025,710 | 595,171 | 3,355 | - | (3,427,184) | - | (3,427,184) |
| Transportation | 743,041 | 101,387 | - | 166,993 | (474,661) | - | (474,661) |
| Culture and Recreation | 581,857 | 12,420 | 110,000 | - | (459,437) | - | (459,437) |
| Economic Environment | 56,580 | - | 15,049 | - | (41,531) | - | (41,531) |
| Total Governmental Activities | <u>6,343,266</u> | <u>758,153</u> | <u>128,404</u> | <u>166,993</u> | <u>(5,289,716)</u> | <u>-</u> | <u>(5,289,716)</u> |
| Business-Type Activities: | | | | | | | |
| Water and Sewer | 4,278,627 | 5,217,723 | - | 2,448,396 | - | 3,387,492 | 3,387,492 |
| Airport | 805,160 | 327,601 | - | 1,547,327 | - | 1,069,768 | 1,069,768 |
| Solid Waste | 1,611,204 | 1,386,931 | - | 2,682 | - | (221,591) | (221,591) |
| Total Business-Type Activities | <u>6,694,991</u> | <u>6,932,255</u> | <u>-</u> | <u>3,998,405</u> | <u>-</u> | <u>4,235,669</u> | <u>4,235,669</u> |
| Total Primary Government | <u>\$ 13,038,257</u> | <u>\$ 7,690,408</u> | <u>\$ 128,404</u> | <u>\$ 4,165,398</u> | <u>(5,289,716)</u> | <u>4,235,669</u> | <u>(1,054,047)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | | 338,171 | - | 338,171 |
| Fuel | | | | | 373,393 | - | 373,393 |
| Infrastructure Surtax | | | | | 1,181,574 | - | 1,181,574 |
| Utility and Communication Services | | | | | 1,176,356 | - | 1,176,356 |
| Other | | | | | 140,637 | - | 140,637 |
| Franchise Fees | | | | | 646,803 | - | 646,803 |
| Unrestricted Intergovernmental Revenue | | | | | 986,834 | - | 986,834 |
| Investment Earnings | | | | | 13,408 | 24,334 | 37,742 |
| Insurance Recoveries | | | | | 1,000 | 24,470 | 25,470 |
| Miscellaneous | | | | | 24,463 | - | 24,463 |
| Transfers | | | | | <u>591,526</u> | <u>(591,526)</u> | <u>-</u> |
| Total General Revenues and Transfers | | | | | <u>5,474,165</u> | <u>(542,722)</u> | <u>4,931,443</u> |
| Change in Net Position | | | | | 184,449 | 3,692,947 | 3,877,396 |
| Net Position - Beginning of Year | | | | | <u>18,672,493</u> | <u>34,920,394</u> | <u>53,592,887</u> |
| Net Position - End of Year | | | | | <u>\$ 18,856,942</u> | <u>\$ 38,613,341</u> | <u>\$ 57,470,283</u> |

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

| | General | Infrastructure | CRA | Non-Major CDBG | Total Governmental Funds |
|--|---------------------|---------------------|-------------------|-------------------|--------------------------------|
| ASSETS | | | | | |
| Equity in Pooled Cash and Cash | | | | | |
| Equivalents | \$ 5,011,766 | \$ 5,120,251 | \$ 875,005 | \$ - | \$ 11,007,022 |
| Receivables, Net | 139,356 | - | - | - | 139,356 |
| Due from Other Governments | 235,882 | 207,343 | - | 16,965 | 460,190 |
| Due from Other Funds | 13,582 | - | - | - | 13,582 |
| Prepaid Items | 40,817 | - | - | - | 40,817 |
| Real Estate for Sale | 285,000 | - | - | - | 285,000 |
| Advances to Other Funds | 245,074 | - | - | - | 245,074 |
| | <u>\$ 5,971,477</u> | <u>\$ 5,327,594</u> | <u>\$ 875,005</u> | <u>\$ 16,965</u> | <u>\$ 12,191,041</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable and Accrued | | | | | |
| Liabilities | \$ 284,169 | \$ 2,992 | \$ 14,000 | \$ - | \$ 301,161 |
| Due to Other funds | - | - | - | 13,582 | 13,582 |
| Unearned Revenue | 19,949 | - | - | - | 19,949 |
| Total Liabilities | <u>304,118</u> | <u>2,992</u> | <u>14,000</u> | <u>13,582</u> | <u>334,692</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenues | - | - | - | 16,965 | 16,965 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid Items | 40,817 | - | - | - | 40,817 |
| Advances to Other Fund | 245,074 | - | - | - | 245,074 |
| Real Estate for Sale | 285,000 | - | - | - | 285,000 |
| Restricted for: | | | | | |
| Law Enforcement | 8,085 | - | - | - | 8,085 |
| Bouis Fountain | 6,482 | - | - | - | 6,482 |
| Infrastructure | - | 5,324,602 | - | - | 5,324,602 |
| Community Redevelopment | - | - | 861,005 | - | 861,005 |
| Committed for Compensated Absences | 183,650 | - | - | - | 183,650 |
| Assigned for Capital Improvements | 275,000 | - | - | - | 275,000 |
| Unassigned | 4,623,251 | - | - | (13,582) | 4,609,669 |
| Total Fund Balances | <u>5,667,359</u> | <u>5,324,602</u> | <u>861,005</u> | <u>(13,582)</u> | <u>11,839,384</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 5,971,477</u> | <u>\$ 5,327,594</u> | <u>\$ 875,005</u> | <u>\$ 16,965</u> | <u>\$ 12,191,041</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, 2020**

| | | |
|--|---------------------|-----------------------------|
| Fund Balances - Total Government Funds | | \$ 11,839,384 |
| 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. | | 16,965 |
| 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 \$29,716 of Prepaid Items Reclassified | \$ 1,186,947 | |
| Deferred Inflows of Resources - Pension Related | <u>(325,495)</u> | 861,452 |
| Deferred outflows and inflows of resources related to OPEB are applicable to future reporting periods and, therefore, are not reported in the funds. | | |
| Deferred Inflows of Resources - OPEB Related | | (92,954) |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Cost of Capital Assets | 18,964,921 | |
| Accumulated Depreciation | <u>(10,180,013)</u> | 8,784,908 |
| Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| OPEB Liability | (163,100) | |
| Compensated Absences | (183,650) | |
| Net Pension Liability | <u>(2,206,063)</u> | <u>(2,552,813)</u> |
| Net Position of Governmental Activities | | <u><u>\$ 18,856,942</u></u> |

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, 2020

| | General | Infrastructure | CRA | Non-Major CDBG | Total Governmental Funds |
|---|----------------------------|----------------------------|--------------------------|---------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 1,779,856 | \$ 1,181,574 | \$ 248,701 | \$ - | \$ 3,210,131 |
| Charges for Services | 3,779 | - | - | - | 3,779 |
| Permits, Fees, and Special Assessment | 1,207,682 | - | - | - | 1,207,682 |
| Intergovernmental | 1,883,782 | 48,066 | - | 15,049 | 1,946,897 |
| Fines and Forfeitures | 33,075 | - | - | - | 33,075 |
| Investment Earnings | 5,637 | 7,771 | - | - | 13,408 |
| Miscellaneous | 83,496 | - | - | - | 83,496 |
| Total Revenues | <u>4,997,307</u> | <u>1,237,411</u> | <u>248,701</u> | <u>15,049</u> | <u>6,498,468</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 757,635 | - | - | - | 757,635 |
| Public Safety | 3,325,938 | - | - | - | 3,325,938 |
| Transportation | 359,582 | - | - | - | 359,582 |
| Culture and Recreation | 413,931 | - | - | - | 413,931 |
| Economic Environment | - | - | 38,245 | 23,631 | 61,876 |
| Capital Outlay | 9,539 | 225,702 | - | - | 235,241 |
| Total Expenditures | <u>4,866,625</u> | <u>225,702</u> | <u>38,245</u> | <u>23,631</u> | <u>5,154,203</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | 130,682 | 1,011,709 | 210,456 | (8,582) | 1,344,265 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Insurance Proceeds | 1,000 | - | - | - | 1,000 |
| Transfers in | 591,526 | - | 497,249 | - | 1,088,775 |
| Transfers out | (497,249) | - | - | - | (497,249) |
| Total Other Financing Sources | <u>95,277</u> | <u>-</u> | <u>497,249</u> | <u>-</u> | <u>592,526</u> |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 225,959 | 1,011,709 | 707,705 | (8,582) | 1,936,791 |
| Fund Balances (Deficits) - Beginning 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> |
| FUND BALANCES (DEFICITS) - END OF YEAR | <u><u>\$ 5,667,359</u></u> | <u><u>\$ 5,324,602</u></u> | <u><u>\$ 861,005</u></u> | <u><u>\$ (13,582)</u></u> | <u><u>\$ 11,839,384</u></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, 2020**

| | | |
|---|-----------------|--------------------------|
| Net Change in Fund Balances - Total Government Funds | | \$ 1,936,791 |
| <p>Amounts Reported for Governmental Activities in the Statement of Net Position are different because:</p> | | |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | (563,279) |
| <p>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.</p> | | |
| <p style="padding-left: 20px;">Adjustments to Pension Expense</p> | | (661,041) |
| <p>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.</p> | | |
| <p style="padding-left: 20px;">Expenditures for Capital Assets that were Capitalized</p> | \$ 184,305 | |
| <p style="padding-left: 20px;">Depreciation Expense</p> | (682,689) | |
| <p style="padding-left: 20px;">Less: Net Book Value of Disposed Assets</p> | <u>(23,299)</u> | |
| | | (521,683) |
| <p>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:</p> | | |
| <p style="padding-left: 20px;">OPEB Liability</p> | 21,645 | |
| <p style="padding-left: 20px;">Compensated Absences</p> | <u>(27,984)</u> | |
| | | <u>(6,339)</u> |
| Changes in Net Position of Governmental Activities | | <u><u>\$ 184,449</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, 2020

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|--------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Taxes | \$ 1,683,534 | \$ 1,683,534 | \$ 1,779,856 | \$ 96,322 |
| Charges for Services | 4,450 | 4,450 | 3,779 | (671) |
| Permits, Fees, and Special Assessments | 1,162,000 | 1,162,000 | 1,207,682 | 45,682 |
| Intergovernmental | 1,258,979 | 1,258,979 | 1,883,782 | 624,803 |
| Fines and Forfeitures | 35,000 | 35,000 | 33,075 | (1,925) |
| Investment Earnings | 4,700 | 4,700 | 5,637 | 937 |
| Miscellaneous | 71,000 | 71,000 | 83,496 | 12,496 |
| Total Revenues | 4,219,663 | 4,219,663 | 4,997,307 | 777,644 |
| EXPENDITURES | | | | |
| General Government: | | | | |
| City Council | 56,401 | 63,319 | 62,342 | 977 |
| City Manager | 378,272 | 354,158 | 299,642 | 54,516 |
| Finance | 294,003 | 217,520 | 82,671 | 134,849 |
| Legal Counsel | 100,650 | 136,731 | 136,729 | 2 |
| Other Governmental Services | 380,990 | 279,595 | 176,246 | 103,349 |
| Public Safety: | | | | |
| Police | 1,361,372 | 1,450,622 | 1,446,021 | 4,601 |
| Fire | 1,782,954 | 1,829,027 | 1,611,348 | 217,679 |
| Code Enforcement | 298,060 | 308,921 | 248,548 | 60,373 |
| Planning and Zoning | 53,500 | 50,000 | 25,000 | 25,000 |
| Transportation: | | | | |
| Street | 721,040 | 684,727 | 364,147 | 320,580 |
| Culture/Recreation: | | | | |
| Parks | 292,786 | 274,065 | 223,356 | 50,709 |
| Recreation | 87,900 | 169,307 | 168,382 | 925 |
| Community Center | 28,500 | 23,465 | 22,193 | 1,272 |
| Total Expenditures | 5,836,428 | 5,841,457 | 4,866,625 | 974,832 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,616,765) | (1,621,794) | 130,682 | 1,752,476 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance Proceeds | - | - | 1,000 | 1,000 |
| Transfers in | 629,345 | 629,345 | 591,526 | (37,819) |
| Transfers out | (8,727) | (8,727) | (497,249) | (488,522) |
| Total Other Financing Sources (Uses) | 620,618 | 620,618 | 95,277 | (525,341) |
| NET CHANGE IN FUND BALANCE | (996,147) | (1,001,176) | 225,959 | 1,227,135 |
| Fund Balance - Beginning of Year | 996,147 | 1,001,176 | 5,441,400 | 4,440,224 |
| FUND BALANCE - END OF YEAR | \$ - | \$ - | \$ 5,667,359 | \$ 5,667,359 |

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, 2020**

| | <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 | \$ 1,181,574 | \$ 81,574 |
| Intergovernmental | 48,066 | 48,066 | 48,066 | - |
| Investment Earnings | - | - | 7,771 | 7,771 |
| Total Revenues | <u>1,148,066</u> | <u>1,148,066</u> | <u>1,237,411</u> | <u>89,345</u> |
| EXPENDITURES | | | | |
| General Government: | | | | |
| Other Governmental Services | 570,000 | 570,000 | 48,889 | 521,111 |
| Public Safety: | | | | |
| Police | 30,000 | 30,000 | 30,000 | - |
| Fire | 101,250 | 101,250 | 34,290 | 66,960 |
| Transportation: | | | | |
| Street | 500,000 | 500,000 | 1,494 | 498,506 |
| Culture/Recreation: | | | | |
| Parks | 112,360 | 112,360 | 111,029 | 1,331 |
| Total Expenditures | <u>1,313,610</u> | <u>1,313,610</u> | <u>225,702</u> | <u>1,087,908</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (165,544) | (165,544) | 1,011,709 | 1,177,253 |
| Fund Balance - Beginning of Year | <u>165,544</u> | <u>165,544</u> | <u>4,312,893</u> | <u>4,147,349</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 5,324,602</u></u> | <u><u>\$ 5,324,602</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
CRA FUND
YEAR ENDED SEPTEMBER 30, 2020**

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-----------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | \$ 255,973 | \$ 255,973 | \$ 248,701 | \$ (7,272) |
| EXPENDITURES | | | | |
| Economic Environment | | | | |
| Main Street | 181,709 | 465,345 | 33,573 | 431,772 |
| South Side | 53,083 | 140,083 | 2,865 | 137,218 |
| Airport | 8,600 | 135,600 | 1,807 | 133,793 |
| Total Expenditures | <u>243,392</u> | <u>741,028</u> | <u>38,245</u> | <u>702,783</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 12,581 | (485,055) | 210,456 | 695,511 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 497,249 | 497,249 |
| Transfers out | <u>(12,581)</u> | <u>(12,581)</u> | - | <u>12,581</u> |
| Total Other Financing Sources (Uses) | <u>(12,581)</u> | <u>(12,581)</u> | <u>497,249</u> | <u>509,830</u> |
| NET CHANGE IN FUND BALANCE | - | (497,636) | 707,705 | 1,205,341 |
| Fund Balance - Beginning of Year | <u>-</u> | <u>497,636</u> | <u>153,300</u> | <u>(344,336)</u> |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 861,005</u> | <u>\$ 861,005</u> |

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020**

| | 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 | \$ 9,746,322 | \$ 146,230 | \$ 1,137,045 | \$ 11,029,597 |
| Equity in Pooled Cash and Cash Equivalents Restricted for Accounts Payable | 333,930 | - | - | 333,930 |
| Receivables, Net | 915,386 | 21,505 | 73,050 | 1,009,941 |
| Due from Other Governments | 1,628,519 | 756,633 | - | 2,385,152 |
| Inventories | 75,846 | 26,515 | - | 102,361 |
| Total Current Assets | <u>12,700,003</u> | <u>950,883</u> | <u>1,210,095</u> | <u>14,860,981</u> |
| Noncurrent Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents Restricted for Impact Fees | 188,382 | - | - | 188,382 |
| Advance to Other Funds | - | - | 396,468 | 396,468 |
| Capital Assets: | | | | |
| Land | 1,648,740 | 700,467 | - | 2,349,207 |
| Building and System Equipment | 30,048,754 | 15,665,727 | 1,855 | 45,716,336 |
| Construction in Progress | 4,901,048 | 271,651 | 2,107,681 | 7,280,380 |
| Accumulated Depreciation | 2,279,540 | 70,526 | - | 2,350,066 |
| Capital Assets, Net of Accumulated Depreciation | <u>(21,405,430)</u> | <u>(6,989,169)</u> | <u>(1,268,539)</u> | <u>(29,663,138)</u> |
| Total Noncurrent Assets | <u>17,661,034</u> | <u>9,719,202</u> | <u>1,237,465</u> | <u>28,617,701</u> |
| Total Assets | <u>30,361,037</u> | <u>10,670,085</u> | <u>2,447,560</u> | <u>43,478,682</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows Related to Pensions | 446,049 | - | 201,432 | 647,481 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable and Accrued Liabilities | 998,360 | 208,826 | 74,144 | 1,281,330 |
| Compensated Absences | 45,188 | - | 19,864 | 65,052 |
| Deposits | 1,192,151 | 46,468 | - | 1,238,619 |
| Unearned Revenue | 5,002 | 45,000 | - | 50,002 |
| Current Liabilities Payable from Restricted Assets: | | | | |
| Accounts payable and Accrued Liabilities | 333,930 | - | - | 333,930 |
| Total Current Liabilities | <u>2,574,631</u> | <u>300,294</u> | <u>94,008</u> | <u>2,968,933</u> |
| Noncurrent Liabilities: | | | | |
| Advances from Other Funds | - | 641,542 | - | 641,542 |
| Total OPEB Liability | 119,187 | - | 50,184 | 169,371 |
| Net Pension Liability | 970,294 | - | 438,179 | 1,408,473 |
| Unearned Revenue | - | 204,155 | - | 204,155 |
| Total Noncurrent Liabilities | <u>1,089,481</u> | <u>845,697</u> | <u>488,363</u> | <u>2,423,541</u> |
| Total Liabilities | <u>3,664,112</u> | <u>1,145,991</u> | <u>582,371</u> | <u>5,392,474</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows Related to Pensions | 16,410 | - | 7,410 | 23,820 |
| Deferred Inflows Related to OPEB | 67,927 | - | 28,601 | 96,528 |
| Total Deferred Inflows of Resources | <u>84,337</u> | <u>-</u> | <u>36,011</u> | <u>120,348</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets Restricted | 16,344,939 | 9,568,380 | 840,997 | 26,754,316 |
| Unrestricted | 188,382 | - | - | 188,382 |
| Total Net Position | <u>\$ 27,058,637</u> | <u>\$ 9,524,094</u> | <u>\$ 2,030,610</u> | <u>\$ 38,613,341</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, 2020

| | Business-Type Activities - Enterprise Funds | | | Total |
|---|---|---------------------|---------------------|----------------------|
| | Water and Sewer Fund | Airport Fund | Solid Waste Fund | |
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 5,163,327 | \$ 305,863 | \$ 1,386,287 | \$ 6,855,477 |
| Sales of Fuel | - | 17,248 | - | 17,248 |
| Miscellaneous | 54,396 | 4,490 | 644 | 59,530 |
| Total Operating Revenues | <u>5,217,723</u> | <u>327,601</u> | <u>1,386,931</u> | <u>6,932,255</u> |
| OPERATING EXPENSES | | | | |
| Personal Services | 1,459,469 | - | 660,107 | 2,119,576 |
| Materials, Supplies, Services and Other | | | | |
| Operating Expenses | 1,823,658 | 256,651 | 701,471 | 2,781,780 |
| Depreciation | 949,652 | 548,509 | 246,396 | 1,744,557 |
| Total Operating Expenses | <u>4,232,779</u> | <u>805,160</u> | <u>1,607,974</u> | <u>6,645,913</u> |
| OPERATING INCOME (LOSS) | 984,944 | (477,559) | (221,043) | 286,342 |
| NONOPERATING REVENUES | | | | |
| Investment Earnings | 18,841 | - | 5,493 | 24,334 |
| Gain (Loss) on Disposal of Assets | (21,766) | - | (516) | (22,282) |
| Gain (Loss) from Transfer of Capital Assets | (24,082) | - | (2,714) | (24,598) |
| Insurance Recoveries | - | 24,470 | - | 24,470 |
| Total Nonoperating Revenues | <u>(27,007)</u> | <u>24,470</u> | <u>2,263</u> | <u>1,924</u> |
| INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS | 957,937 | (453,089) | (218,780) | 286,068 |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | | |
| Capital Grants | 1,628,519 | 1,547,327 | - | 3,175,846 |
| Capital Contributions - Impact Fees and | | | | |
| Capital Contributions | 819,877 | - | 2,682 | 822,559 |
| Transfers In | - | - | 2,057 | 2,057 |
| Transfers Out | (590,000) | (3,583) | - | (593,583) |
| Total Capital Contributions and Transfers | <u>1,858,396</u> | <u>1,543,744</u> | <u>4,739</u> | <u>3,406,879</u> |
| CHANGES IN NET POSITION | 2,816,333 | 1,090,655 | (214,041) | 3,692,947 |
| Total Net Position - Beginning of Year | <u>24,242,304</u> | <u>8,433,439</u> | <u>2,244,651</u> | <u>34,920,394</u> |
| TOTAL NET POSITION - END OF YEAR | <u>\$ 27,058,637</u> | <u>\$ 9,524,094</u> | <u>\$ 2,030,610</u> | <u>\$ 38,613,341</u> |

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|-------------------|---------------------|----------------------|
| | Water and Sewer Fund | Airport Fund | Solid Waste Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 5,367,839 | \$ 290,777 | \$ 1,385,777 | \$ 7,044,393 |
| Cash Paid to Suppliers | (1,799,708) | (261,863) | (688,251) | (2,749,822) |
| Cash Paid to Employees | (1,253,369) | - | (603,163) | (1,856,532) |
| Net Cash Provided by Operating Activities | 2,314,762 | 28,914 | 94,363 | 2,438,039 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from (to) Other Funds | (588,580) | (78,632) | 23,435 | (643,777) |
| Net Cash Provided (Used) by Noncapital Financing Activities | (588,580) | (78,632) | 23,435 | (643,777) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of Capital Assets | (1,737,611) | (1,321,356) | (278,752) | (3,337,719) |
| Proceeds from Capital Grants | - | 1,307,105 | - | 1,307,105 |
| Proceeds from Insurance Claim | - | 24,470 | - | 24,470 |
| Capital Contributions | 782,192 | - | - | 782,192 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (955,419) | 10,219 | (278,752) | (1,223,952) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts of Interest | 18,840 | - | 5,492 | 24,332 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 789,603 | (39,499) | (155,462) | 594,642 |
| Equity in Pooled Cash and Cash Equivalents - Beginning of Year | 9,479,031 | 185,729 | 1,292,507 | 10,957,267 |
| EQUITY IN POOLED CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 10,268,634</u> | <u>\$ 146,230</u> | <u>\$ 1,137,045</u> | <u>\$ 11,551,909</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 9,746,322 | \$ 146,230 | \$ 1,137,045 | \$ 11,029,597 |
| Equity in Pooled Cash and Cash Equivalents Restricted for Accounts Payable | 333,930 | - | - | 333,930 |
| Equity in Pooled Cash and Cash Equivalents Restricted for Impact Fees | 188,382 | - | - | 188,382 |
| EQUITY IN POOLED CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 10,268,634</u> | <u>\$ 146,230</u> | <u>\$ 1,137,045</u> | <u>\$ 11,551,909</u> |

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

| | 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) | \$ 984,944 | \$ (477,559) | \$ (221,043) | \$ 286,342 |
| Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 949,652 | 548,509 | 246,396 | 1,744,557 |
| Changes in Certain Assets, Deferred Outflows Liabilities and Deferred Inflows: | | | | |
| Accounts Receivable | 5,833 | 1,869 | (1,154) | 6,548 |
| Inventories | (432) | (10,098) | | (10,530) |
| Deferred Outflows of Resources | (56,957) | - | 14,193 | (42,764) |
| Accounts Payable and Accrued Liabilities | 30,728 | 4,886 | 17,959 | 53,573 |
| Compensated Absences | 1,705 | - | (6,278) | (4,573) |
| Deposits | 143,921 | 6,307 | - | 150,228 |
| Unearned Revenue | - | (45,000) | - | (45,000) |
| Other Postemployment Benefits | (34,627) | - | (7,496) | (42,123) |
| Net Pension Liability | 266,541 | - | 47,279 | 313,820 |
| Deferred Inflows of Resources | 23,454 | - | 4,507 | 27,961 |
| Net cash Provided by Operating Activities | <u>\$ 2,314,762</u> | <u>\$ 28,914</u> | <u>\$ 94,363</u> | <u>\$ 2,438,039</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | |
| Assets Acquired Through Retainage and Accounts Payable | <u>\$ 1,127,712</u> | <u>\$ 150,824</u> | <u>\$ -</u> | <u>\$ 1,278,536</u> |
| Transfer of Capital Assets from Other Funds | <u>\$ 14,739</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,739</u> |

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2020**

| | Pension Trust Funds |
|--|------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 91,505 |
| Receivables: | |
| Contribution Receivable: | |
| Plan Members | 1,516 |
| State of Florida | 39,085 |
| Brokerage Transactions | 120,000 |
| Accrued Income | 16,999 |
| Total Receivables | 177,600 |
| Prepaid Benefit Payments | 71,391 |
| Investments, at Fair Market Value: | |
| Multi-Sector Fixed Income Mutual Funds | 351,440 |
| Fixed Income Mutual Funds | 1,905,796 |
| U.S. Government and Agencies | 842,414 |
| Corporate and Foreign Bonds | 511,262 |
| Equity Securities and Mutual Funds | 8,562,449 |
| Real Estate Investment Fund | 1,002,514 |
| Total Investments | 13,175,875 |
| Total Assets | 13,516,371 |
| LIABILITIES | |
| Accounts Payable | 24,926 |
| Contribution Refund Payable | 3,385 |
| Total Liabilities | 28,311 |
| Net Position Restricted for Pensions | \$ 13,488,060 |

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, 2020**

| | Pension Trust Funds |
|--|------------------------|
| ADDITIONS | |
| Contributions: | |
| City | \$ 345,025 |
| Plan Members | 39,090 |
| State of Florida | 114,307 |
| Total Contributions | 498,422 |
| Investment Income | 1,154,841 |
| Less Investment Expenses: | |
| Investment Management Fees | 26,170 |
| Custodial Fees | 8,024 |
| Performance Evaluation Fees | 34,000 |
| Total Investment Expenses | 68,194 |
| Net Investment Income | 1,086,647 |
| Total Additions | 1,585,069 |
| DEDUCTIONS | |
| Administrative Expenses | 123,014 |
| Payments to Retirees and Participants | 839,268 |
| Total Deductions | 962,282 |
| NET INCREASE IN NET POSITION | 622,787 |
| Net Position Restricted for Pension - Beginning of Year | 12,865,273 |
| NET POSITION RESTRICTED FOR PENSION - END OF YEAR | \$ 13,488,060 |

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 March 28, 1988 pursuant to Florida Statute 163.356, by the passage of City Ordinance No. 822 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. 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. Separate financial statements for the CRA may be obtained by writing to the CRA, Office of the City Manager, 110 E. Main Street, Avon Park, FL 33825.

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, 2020**

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, 2020**

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, 2020**

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 an other 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, 2020**

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, 2020**

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, CRA Fund, and CDGB 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 \$11,839,384 differs from "net position" of governmental activities, \$18,856,942 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, 2020**

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 \$1,936,791, differs from the "change in net position" for governmental activities, an increase of \$184,449, 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 \$497,249 and \$2,057, respectively, were eliminated. Amounts due to and due from between governmental activities of \$13,582 were eliminated. In addition, advances to and advances from between governmental and business-type activities in the amount of \$-0- and \$396,468, 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, 2020**

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.

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 general fund 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, 2020**

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, 2020**

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. 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, 2020, 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 differences in expected and actual experience, 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 relating to the Florida Retirement System Pension Plan and the Retiree health Insurance Subsidy Program and the City's contributions subsequent to the measurement date. 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, 2020**

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, 2020**

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, 2019) were assessed on July 1, 2019 based on property values of January 1, 2019. The taxes were billed in the month of November 2019 by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes were due November 1, 2019 (levy date) and became delinquent April 1, 2020. Tax certificates were issued for delinquent taxes by June 1, 2020 (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, 2020**

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, 2020**

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 | \$ 20,653,777 |
| Cash on Hand | 2,000 |
| Investments | 15,170,534 |
| Total | \$ 35,826,311 |
| | |
| Statement of Net Position: | |
| Equity in Pooled Cash and Cash Equivalents | \$ 22,036,619 |
| Restricted Equity in Pooled Cash and Cash Equivalents | 522,312 |
| Statement of Fiduciary Net Position: | |
| Cash and Cash Equivalents | 91,505 |
| Investments | 13,175,875 |
| Total | \$ 35,826,311 |

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, 2020:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---------------|---------------|--------------|---------|
| <u>Investments by Fair Value Level</u> | | | | |
| Multi-Sector Fixed Income | | | | |
| Mutual Funds | \$ 351,440 | \$ 351,440 | \$ - | \$ - |
| Fixed Income Mutual Funds | 1,905,796 | 1,905,796 | - | - |
| U.S. Government and Agencies | 842,414 | - | 842,414 | - |
| Corporate and Foreign Bonds | 511,262 | - | 511,262 | - |
| Equity Securities and Equity Mutual Funds | 8,562,449 | 8,562,449 | - | - |
| Total Investments Measured at Fair Value | 12,173,361 | \$ 10,819,685 | \$ 1,353,676 | \$ - |
| Investments Measured at Net Asset Value: | | | | |
| Real Estate Investment Fund | 1,002,514 | | | |
| Investments Measured at Amortized Cost: | | | | |
| SBA Florida PRIME | 1,994,659 | | | |
| Total Investments | \$ 15,170,534 | | | |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

The City owns shares in a real estate investment fund which is a pooled investment fund that is a broadly diversified core real estate fund that reports its value at net asset value (NAV) per share. Redemption requests of units in the real estate investment fund may be made at any time and are effective at the end of the calendar quarter in which the request is received by the investment fund. The units that are subject to the City's redemption notice may be redeemed in installments as funds become available for such purpose and the redemption price will be the value per unit at such time the payment is made. The real estate investment fund is not required to liquidate or encumber assets or defer investments in order to make redemptions.

All investments in the real estate investment fund are appraised by an independent third-party MAI appraiser each and every quarter, commencing the quarter after the investment is made. The appraiser must hold a nationally recognized professional appraisal designation (MAI with the Appraisal Institute) and comply with the Uniform Standards of Professional Appraisal Practice as adapted by the Appraisal Standards Board of the Appraisal Foundation and Appraisal Institute.

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, 2020, the City had the following investments in debt securities and related maturities:

| Investment Type | Fair Value | Remaining Maturities (in Years) | | | |
|--|---------------------|---------------------------------|-------------------|---------------------|-------------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Governmental and Business- Type Activities: | | | | | |
| SBA Florida PRIME | \$ 1,994,659 | \$ 1,994,659 | \$ - | \$ - | \$ - |
| Fiduciary: | | | | | |
| Multi-Sector Fixed Income | | | | | |
| Mutual Funds | 351,440 | - | 173,424 | 178,016 | - |
| Fixed Income Mutual Funds | 1,905,796 | 313,566 | 543,441 | 1,048,789 | - |
| U.S. Government and Agencies | 842,414 | 45,172 | 34,054 | 102,986 | 660,202 |
| Corporate and Foreign Bonds | 511,262 | - | 166,068 | 164,171 | 181,023 |
| Total Fair Value | <u>\$ 5,605,571</u> | <u>\$ 2,353,397</u> | <u>\$ 916,987</u> | <u>\$ 1,493,962</u> | <u>\$ 841,225</u> |

Credit Risk. Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy minimizes credit risk by limiting the maximum percentage that may be invested in any one entity or instrument at any one time. Presented below is the actual rating as of September 30, 2020 for each type of investment in debt securities.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

| <u>Investment Type</u> | <u>S&P Rating</u> | <u>Market Value</u> |
|--|-----------------------|----------------------|
| Governmental and Business-Type Activities: | | |
| SBA Florida PRIME | AAAm | \$ 1,994,659 |
| Fiduciary: | | |
| Multi-Sector Fixed Income Mutual Funds | Not Rated | 351,440 |
| Fixed Income Mutual Funds | Not Rated | 1,905,796 |
| U.S. Government and Agencies | AAA to AA+ | 842,414 |
| Corporate and Foreign Bonds | AAA to A- | 322,267 |
| Corporate and Foreign Bonds | BBB+ to BBB | 188,995 |
| Corporate Stock | Not Rated | 8,562,449 |
| Total | | <u>\$ 14,168,020</u> |

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

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

All 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

The City invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the state of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2020, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 17.80% of the Florida PRIME's portfolio at September 30, 2020.

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

The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2020 was 48 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2020 was 63 days. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's. On September 30, 2020, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

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

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

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

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

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

NOTE 3 RECEIVABLES

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

| | Governmental | Business-Type Activities | | | Total |
|---------------------------------|--------------|--------------------------|-----------|-----------|--------------|
| | Activities | Water and | Airport | Solid | |
| | General | Sewer | | Waste | |
| Utility and Franchise Taxes | \$ 147,718 | \$ - | \$ - | \$ - | \$ 147,718 |
| Code Enforcement | - | - | - | - | - |
| Customer Charges | - | 1,584,660 | 29,503 | 187,927 | 1,802,090 |
| Miscellaneous | 7,083 | - | - | - | 7,083 |
| Gross Receivables | 154,801 | 1,584,660 | 29,503 | 187,927 | 1,956,891 |
| Allowance for Doubtful Accounts | (15,445) | (669,274) | (7,998) | (114,877) | (807,594) |
| Total | \$ 139,356 | \$ 915,386 | \$ 21,505 | \$ 73,050 | \$ 1,149,297 |

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

| | Beginning Balance | Increases | Transfers | Decreases | Ending Balance |
|---|-------------------|--------------|-----------|-------------|----------------|
| Governmental Activities: | | | | | |
| Capital Assets not being Depreciated: | | | | | |
| Land | \$ 404,202 | \$ - | \$ - | \$ - | \$ 404,202 |
| Construction in Progress | 25,087 | - | (25,087) | - | - |
| Total Capital Assets not being Depreciated | 429,289 | - | (25,087) | - | 404,202 |
| Capital Assets being Depreciated: | | | | | |
| Buildings | 6,730,626 | - | - | (123,372) | 6,607,254 |
| Equipment | 3,872,046 | 174,570 | 66,860 | (436,064) | 3,677,412 |
| Infrastructure | 8,276,053 | - | - | - | 8,276,053 |
| Total Capital Assets being Depreciated | 18,878,725 | 174,570 | 66,860 | (559,436) | 18,560,719 |
| Less Accumulated Depreciation for: | | | | | |
| Buildings | (3,983,420) | (244,453) | - | 106,500 | (4,121,373) |
| Equipment | (3,249,614) | (132,069) | (32,039) | 429,638 | (2,984,084) |
| Infrastructure | (2,768,389) | (306,167) | - | - | (3,074,556) |
| Total Accumulated Depreciation | (10,001,423) | (682,689) | (32,039) | 536,138 | (10,180,013) |
| Total Capital Assets Being Depreciated, Net | 8,877,302 | (508,119) | 34,821 | (23,298) | 8,380,706 |
| Governmental Activities Capital Assets, Net | \$ 9,306,591 | \$ (508,119) | \$ 9,734 | \$ (23,298) | \$ 8,784,908 |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Increases | Transfers | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------------|--------------------|----------------------|
| Business-Type Activities: | | | | | |
| Capital Assets not being Depreciated: | | | | | |
| Land | \$ 2,299,975 | \$ 49,232 | \$ - | \$ - | \$ 2,349,207 |
| Construction in Progress | 391,260 | 2,180,739 | (221,933) | - | 2,350,066 |
| Total Capital Assets not being Depreciated | 2,691,235 | 2,229,971 | (221,933) | - | 4,699,273 |
| Capital Assets being Depreciated: | | | | | |
| Buildings and Systems | 43,987,853 | 1,697,337 | 115,292 | (84,146) | 45,716,336 |
| Equipment | 7,201,676 | 389,287 | 51,423 | (362,006) | 7,280,380 |
| Total Capital Assets being Depreciated | 51,189,529 | 2,086,624 | 166,715 | (446,152) | 52,996,716 |
| Less Accumulated Depreciation for: | | | | | |
| Buildings and Systems | (23,854,055) | (1,180,818) | - | 71,695 | (24,963,178) |
| Equipment | (4,533,879) | (563,739) | 45,484 | 352,174 | (4,699,960) |
| Total Accumulated Depreciation | (28,387,934) | (1,744,557) | 45,484 | 423,869 | (29,663,138) |
| Total Capital Assets being Depreciated, Net | 22,801,595 | 342,067 | 212,199 | (22,283) | 23,333,578 |
| Business-Type Activities Capital Assets, Net | <u>\$ 25,492,830</u> | <u>\$ 2,572,038</u> | <u>\$ (9,734)</u> | <u>\$ (22,283)</u> | <u>\$ 28,032,851</u> |

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

| | |
|----------------------------|---------------------|
| Governmental Activities: | |
| General Government | \$ 75,970 |
| Public Safety | 155,725 |
| Transportation | 294,557 |
| Culture and Recreation | 156,437 |
| Total Depreciation | <u>\$ 682,689</u> |
| Business-Type Activities: | |
| Water and Sewer | \$ 949,652 |
| Airport | 548,509 |
| Solid Waste | 246,396 |
| Total Depreciation Expense | <u>\$ 1,744,557</u> |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 5 COMMITMENTS

Construction Commitments

At September 30, 2020, the City had the following construction commitments:

| | | |
|------------------------------|-----------|----------------|
| Governmental Activities: | | |
| Building Improvements | \$ | 13,900 |
| Parks Equipment | | 4,323 |
| Total | <u>\$</u> | <u>18,223</u> |
| | | |
| Business-Type Activities: | | |
| Water and Sewer Fund: | | |
| Engineering Services | \$ | 19,515 |
| Water and Sewer Improvements | | 70,201 |
| Equipment | | 154,951 |
| Total | <u>\$</u> | <u>244,667</u> |

NOTE 6 LONG-TERM LIABILITIES

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2020, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|---|----------------------|-------------------|-------------------|-------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 155,666 | \$ 143,813 | \$ 115,829 | \$ 183,650 | \$ 156,100 |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 155,666</u> | <u>\$ 143,813</u> | <u>\$ 115,829</u> | <u>\$ 183,650</u> | <u>\$ 156,100</u> |
| | | | | | |
| Business-Type Activities: | | | | | |
| Compensated Absences | \$ 69,625 | \$ 99,602 | \$ 104,175 | \$ 65,052 | \$ 65,052 |
| Total Business-Type Activities Long-Term Liabilities | <u>\$ 69,625</u> | <u>\$ 99,602</u> | <u>\$ 104,175</u> | <u>\$ 65,052</u> | <u>\$ 65,052</u> |

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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

Employees Covered by Benefit Terms

At September 30, 2019, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive Plan Members or Beneficiaries | |
| Currently Receiving Benefits | 5 |
| Active Plan Members | 67 |
| Total | <u>72</u> |

Total OPEB Liability

The City's Total OPEB liability was measured as of September 30, 2019 and was determined by an actuarial valuation as of October 1, 2019. The following table shows the City's total OPEB liability for the year ended September 30, 2020.

| | |
|------------------------------|-------------------------|
| | Total OPEB Liability |
| Balance - October 1, 2019 | \$ 480,669 |
| Changes for the Year: | |
| Service Cost | 25,962 |
| Interest | 10,718 |
| Changes in Assumptions | (172,002) |
| Benefit Payments | (12,876) |
| Net Changes | <u>(148,198)</u> |
| Balance - September 30, 2020 | <u>\$ 332,471</u> |

Discount Rate Sensitivity

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

| Description | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|-------------------------|---------------------------------|---------------|---------------------------------|
| OPEB Plan Discount Rate | 1.26 % | 2.26 % | 3.26 % |
| Total OPEB Liability | \$ 387,219 | \$ 332,471 | \$ 289,668 |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 | 6.00 % | 7.00 % | 8.00 % |
| Total OPEB Liability | \$ 285,979 | \$ 332,471 | \$ 389,634 |

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$14,131. At September 30, 2020, 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 | \$ - | \$ 189,482 |

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:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2021 | \$ (22,549) |
| 2022 | (22,549) |
| 2023 | (22,549) |
| 2024 | (22,549) |
| 2025 | (22,549) |
| Thereafter | (76,737) |

Actuarial Assumptions

The total OPEB liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.3% |
| Salary Increases | 3.0% |
| Healthcare Cost Trend Rates | Initial rate of 7.0% in October 1, 2020, then gradually decreasing to an ultimate trend rate of 4.5% in October 1, 2026 and Later. |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial cost method used was the Entry Age Normal as a level Percentage of Payroll cost method. Mortality rates were based on the PUB-2010 mortality tables with mortality improvements using the MP-2019 Improvement Scale. The discount rate used to measure the total OPEB liability was 2.26%, based on the average of three 20-year bond indices.

Since the most recent valuation, the discount rate was changed from 4.18% as of the beginning of the measurement period to 2.26% as of September 30, 2020.

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, 2020 were as follows:

Due to/from other funds:

| | |
|-------------------------|---------------|
| | Payable Fund: |
| <u>Receivable Fund:</u> | <u>CDBG</u> |
| General Fund | \$ 13,582 |

Advance to/from other funds:

| | |
|-------------------------|--------------------------|
| | <u>Payable Fund</u> |
| <u>Receivable Fund:</u> | <u>Airport Fund</u> |
| General Fund | \$ 245,074 |
| Solid Waste Fund | 396,468 |
| Total | <u><u>\$ 641,542</u></u> |

The General Fund has two outstanding advances at year-end. These advances of \$47,292 and \$197,782 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 \$396,468 is a result of prior years' operating losses.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10 TRANSFERS

Transfers during the year ended September 30, 2020 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 | \$ - | \$ 497,249 | \$ - | \$ 497,249 |
| Water and Sewer | 590,000 | - | - | 590,000 |
| Airport | 1,526 | - | 2,057 | 3,583 |
| Total | <u>\$ 591,526</u> | <u>\$ 497,249</u> | <u>\$ 2,057</u> | <u>\$ 1,090,832</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, 2020 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, 2020**

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, 2018, 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 | 13 |
| Active Plan Members | 1 |
| Total | 29 |

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, 2020**

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, 2020 was \$21,817. Actual contributions for the year equaled \$21,817 or 100% of the required contributions.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2019, 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, 2018 updated to September 30, 2019 using the following actuarial assumptions applied to all measurement periods.

| | |
|---------------------------|-------|
| Inflation | 2.50% |
| Salary Increases | 6.00% |
| Discount Rate | 7.00% |
| Investment Rate of Return | 7.00% |

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2019 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% |
| Total | <u>100.00 %</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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, 2020**

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, 2018 | \$ 6,538,606 | \$ 6,672,712 | \$ (134,106) |
| Changes for the Year: | | | |
| Service Cost | 25,398 | - | 25,398 |
| Interest | 475,203 | - | 475,203 |
| Change in Excess State Money | 49,075 | - | 49,075 |
| Differences between Expected and Actual Experience | (8,139) | - | (8,139) |
| Changes of Assumptions | 386,122 | - | 386,122 |
| Contributions - State | - | 67,245 | (67,245) |
| Contributions - Employee | - | 1,441 | (1,441) |
| Net Investment Income | - | 177,282 | (177,282) |
| Benefit Payments, Including Refunds of Employee Contributions | (455,925) | (455,925) | - |
| Administrative Expense | - | (63,413) | 63,413 |
| Net Changes | <u>471,734</u> | <u>(273,370)</u> | <u>745,104</u> |
| Balances at September 30, 2019 | <u>\$ 7,010,340</u> | <u>\$ 6,399,342</u> | <u>\$ 610,998</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 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|--------------------------------------|----------------------|-----------------------------------|----------------------|
| City's Net Pension (Asset) Liability | <u>\$ 1,522,113</u> | <u>\$ 610,998</u> | <u>\$ (120,429)</u> |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020, the City recognized a pension expense of \$657,641. On September 30, 2020, 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 | \$ 184,919 | \$ - |
| City and State Contributions Subsequent to the Measurement Date | 75,222 | - |
| Total | <u>\$ 260,141</u> | <u>\$ -</u> |

The deferred outflows of resources related to the PORS, totaling \$75,222 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, 2021. 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> |
|----------------------------------|---------------|
| 2021 | \$ 38,102 |
| 2022 | 18,361 |
| 2023 | 67,280 |
| 2024 | 61,176 |

Payables to PORS Pension Plan – At September 30, 2020, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2020.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2019, the members of the FFRS consisted of:

| | |
|---|----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 13 |
| Inactive Plan Members Entitled to but not yet Receiving Benefits | 1 |
| Active Plan Members | 14 |
| Total | 28 |

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, 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS) (Continued)

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, 2020 was \$406,058. Actual contributions for the year equaled \$384,110, or 94% of the required contributions.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2019, 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, 2018 updated to September 30, 2019 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, 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS) (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, 2019 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% |
| Total | 100.00 % | |

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, 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS) (Continued)

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 | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| | (a) | (b) | (a)-(b) |
| Balances at September 30, 2018 | \$ 7,327,826 | \$ 6,218,046 | \$ 1,109,780 |
| Changes for the Year: | | | |
| Service Cost | 142,833 | - | 142,833 |
| Interest | 546,035 | - | 546,035 |
| Change in Excess State Money | - | - | - |
| Differences between Expected and Actual Experience | (216,212) | - | (216,212) |
| Changes of Assumptions | - | - | - |
| Contributions - State | - | 38,071 | (38,071) |
| Contributions - Employee | - | 32,362 | (32,362) |
| Net Investment Income | - | 215,579 | (215,579) |
| Benefit Payments, Including Refunds of Employee Contributions | (404,929) | (404,929) | - |
| Administrative Expense | - | (78,852) | 78,852 |
| Net Changes | 79,998 | 247,885 | (167,887) |
| Balances at September 30, 2019 | <u>\$ 7,407,824</u> | <u>\$ 6,465,931</u> | <u>\$ 941,893</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 Discount Rate | 1% Increase |
|--------------------------------------|--------------|--------------------------|-------------|
| | 6.50% | 7.50% | 8.50% |
| City's Net Pension (Asset) Liability | \$ 1,846,615 | \$ 941,893 | \$ 172,835 |

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, 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS) (Continued)

Net Pension Liability (Continued)

Deferred Outflows and Inflows of Resources Related to FFRS – For the year ended September 30, 2020, the City recognized a pension expense of \$332,240. On September 30, 2020, 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 | \$ 127,875 | \$ (300,426) |
| Changes of Assumptions | 68,758 | (14,024) |
| Net Difference Between Projected and Actual on Pension Plan Investments | 75,507 | - |
| City and State Contributions Subsequent to the Measurement Date | 384,110 | - |
| Total | <u>\$ 656,250</u> | <u>\$ (314,450)</u> |

The deferred outflows of resources related to the FFRS, totaling \$384,110 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, 2021. 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> |
|----------------------------------|---------------|
| 2021 | \$ (28,055) |
| 2022 | (21,141) |
| 2023 | 36,127 |
| 2024 | 51,838 |
| 2025 | (27,027) |
| Thereafter | (54,052) |

Payables to FFRS Pension Plan – At September 30, 2020, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2020.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 \$489,083 for the fiscal year ended September 30, 2020.

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, 2020**

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, 2020**

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, 2019, were applied to employee salaries as follows: regular employees 6.75%, senior management 23.69%, and DROP participants 12.94%. The City’s contributions to the FRS Plan were \$103,695 for the year ended September 30, 2020.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Pension Costs – At September 30, 2020, the City reported a liability of \$1,483,402 for its proportionate share of the FRS Plan’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of FRS’s participating employers. At June 30, 2020, the City’s proportionate share was 0.003422592%, which was an increase of 0.000431303% from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$388,671. 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 | \$ 56,773 | \$ - |
| Changes of Actuarial Assumptions | 268,543 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 88,323 | - |
| Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions | 223,778 | - |
| City Contributions Subsequent to the Measurement Date | 30,869 | - |
| Total | <u>\$ 668,286</u> | <u>\$ -</u> |

\$30,869 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, 2021. 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> |
|----------------------------------|---------------|
| 2021 | \$ 155,836 |
| 2022 | 185,659 |
| 2023 | 154,014 |
| 2024 | 103,699 |
| 2025 | 38,209 |
| Thereafter | - |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Inflation | 2.40% Per Year |
| Salary Increases | 3.25%, Average, Including Inflation |
| Investment Rate of Return | 6.80% |

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, 2020, 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 % | 2.2 % | 2.2 % | 1.2 % |
| Fixed Income | 19.0 | 3.0 | 2.9 | 3.5 |
| Global Equity | 54.2 | 8.0 | 6.7 | 17.1 |
| Real Estate (Property) | 10.3 | 6.4 | 5.8 | 11.7 |
| Private Equity | 11.1 | 10.8 | 8.1 | 25.7 |
| Strategic Investments | 4.4 | 5.5 | 5.3 | 6.9 |
| Totals | <u>100.0 %</u> | | | |
| Assumed Inflation - Mean | | | 2.4 % | 1.7 % |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 6.8% 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 | 5.80% | 6.80% | 7.80% |
| City's Proportionate Share of the FRS Plan Net Pension Liability | \$ 2,368,743 | \$ 1,483,402 | \$ 743,961 |

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, 2020**

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, 2020, 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, 2020, 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 \$27,262 for the year ended September 30, 2020.

Pension Costs – At September 30, 2020, the City reported a liability of \$578,243 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2019, through June 30, 2020, relative to the total employer contributions received from all participating employers. At June 30, 2020, the City's proportion was 0.004735876%, which was an increase of 0.000563576% from its proportion measured as of June 30, 2019.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

For the year ended September 30, 2020, the City recognized pension expense of \$100,412 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 | \$ 23,654 | \$ (446) |
| Changes in Actuarial Assumptions | 62,178 | (33,623) |
| Net Difference Between Projected and Actual on HIS Program Investments | 462 | - |
| Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions | 185,648 | (796) |
| City Contributions Subsequent to the Measurement Date | 7,525 | - |
| Total | <u>\$ 279,467</u> | <u>\$ (34,865)</u> |

\$7,525 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, 2021. 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> |
|----------------------------------|---------------|
| 2021 | \$ 70,458 |
| 2022 | 61,000 |
| 2023 | 32,515 |
| 2024 | 29,411 |
| 2025 | 24,558 |
| Thereafter | 19,135 |

Actuarial Assumptions – The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------|-------------------------------------|
| Inflation | 2.40% Per Year |
| Salary Increases | 3.25%, Average, Including Inflation |
| Municipal Bond Rate | 2.21% |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018. The actuarial assumptions used in the July 1, 2020, 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 2.21% 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 | 1.21% | 2.21% | 3.21% |
| City's Proportionate Share of the HIS Plan Net Pension Liability | \$ 668,423 | \$ 578,243 | \$ 504,431 |

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, 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (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, 2020, 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 \$16,690 for the year ended September 30, 2020. Employee contributions to the Investment Plan totaled \$14,073 for the year ended September 30, 2020.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 Liability | \$ 610,998 | \$ 941,893 | \$ 1,483,402 | \$ 578,243 | \$ 3,614,536 |
| Deferred Outflows of Resources | 260,141 | 656,250 | 668,286 | 279,467 | 1,864,144 |
| Deferred Inflows of Resources | - | 314,450 | - | 34,865 | 349,315 |
| Pension Expense | 657,641 | 333,240 | 388,671 | 100,412 | 1,479,964 |

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 contribution to the City Manager's plan is equivalent to the FRS method of contribution and vesting for senior management, per the employment agreement. At September 30, 2020, FRS senior management has a contribution rate of 27.29%. 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, 2020 for eligible employees participating in the plan was approximately \$226,504. The City's total payroll for all employees was \$2,833,338.

As of September 30, 2020, the City's contributions to the plan were \$32,841 on behalf of the five employees participating during the fiscal year.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 13 DEFICITS

The CDBG Fund has an unrestricted fund balance deficit of \$13,582 as of September 30, 2020. 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 \$44,286 as of September 30, 2020. 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, 2020, the City received rent revenue from operating leases of \$253,982.

The following is a schedule for the next five years of minimum future rent revenues from noncancelable operating leases as of September 30, 2020:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2021 | \$ 82,200 |
| 2022 | 81,000 |
| 2023 | 81,000 |
| 2024 | 1,000 |
| 2025 | 1,000 |
| 2026-2030 | 5,000 |
| 2031-2035 | 5,000 |
| 2036-2040 | 2,000 |

At September 30, 2020, the value of buildings and hangars held for leasing was as follows:

| | |
|--------------------------|----------------------------|
| Cost | \$ 3,858,847 |
| Accumulated Depreciation | <u>(2,691,731)</u> |
| Net Book Value | <u><u>\$ 1,167,116</u></u> |

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 14 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, 2020, \$98,615, 150,540, and \$73,104 of general improvements, tenant specific improvements, and financing costs, respectively, were available for rental offsets in the future. At September 30, 2020, \$249,155 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 | <u>9/30/2019</u> | <u>9/30/2018</u> | <u>9/30/2017</u> |
|---|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | |
| Service Cost | \$ 25,962 | \$ 35,007 | \$ 36,591 |
| Interest | 10,718 | 18,092 | 15,088 |
| Changes of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | - | - | - |
| Changes of Assumptions | (172,002) | (23,299) | (24,837) |
| Benefit Payments | <u>(12,876)</u> | <u>(22,155)</u> | <u>(20,372)</u> |
| Net Change in Total OPEB Liability | (148,198) | 7,645 | 6,470 |
| Total OPEB Liability - Beginning of Year | 480,669 | 473,024 | 466,554 |
| Total OPEB Liability - End of Year | <u>\$ 332,471</u> | <u>\$ 480,669</u> | <u>\$ 473,024</u> |
| | | | |
| Covered Employee Payroll | \$ 2,285,734 | \$ 2,395,122 | \$ 2,259,549 |
| | | | |
| Total OPEB Liability as a Percentage of the Covered Employee Payroll | 14.55 % | 20.07 % | 20.93 % |

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

Notes to Schedule:

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

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:

| <u>Fiscal Year</u> | <u>Discount Rate</u> |
|--------------------|--------------------------|
| 2020 | 2.26% |
| 2019 | 4.18% |
| 2018 | 3.64% |
| 2017 | 3.06% |

**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 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | |
| Service Cost | \$ 25,398 | \$ 21,881 | \$ 43,637 | \$ 43,485 | \$ 34,314 | \$ 37,818 |
| Interest | 475,203 | 478,398 | 473,710 | 457,532 | 464,239 | 448,862 |
| Change in Excess State Money | 49,075 | - | - | 44,955 | - | - |
| Share Plan Allocation | - | 28,839 | 23,267 | (44,955) | - | - |
| Difference Between Expected and Actual Experience | (8,139) | (121,947) | (107,123) | (156,072) | (302,143) | - |
| Change of Assumptions | 386,122 | 349,415 | - | 138,973 | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (455,925) | (352,143) | (354,136) | (299,468) | (279,363) | (302,555) |
| Net Change in Total Pensions Liability | 471,734 | 404,443 | 79,355 | 184,450 | (82,953) | 184,125 |
| Total Pension Liability - Beginning of Year | 6,538,606 | 6,134,163 | 6,054,808 | 5,870,358 | 5,953,311 | 5,769,186 |
| TOTAL PENSION LIABILITY - End of Year | \$ 7,010,340 | \$ 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 | 67,245 | 63,092 | 58,391 | 55,147 | 54,943 | 51,390 |
| Contributions - Employee | 1,441 | 4,159 | 7,358 | 9,075 | 7,634 | 8,173 |
| Net Investment Income | 177,282 | 478,081 | 722,846 | 373,165 | (71,456) | 565,325 |
| Benefit Payments and Refunds | (455,925) | (352,143) | (354,136) | (299,468) | (279,363) | (302,555) |
| Administrative Expenses | (63,413) | (50,669) | (54,683) | (35,897) | (39,185) | (71,749) |
| Net Change in Plan Fiduciary Net Position | (273,370) | 142,520 | 379,776 | 127,022 | (238,937) | 380,584 |
| Plan Fiduciary Net Position - Beginning of Year | 6,672,712 | 6,530,192 | 6,150,416 | 6,023,394 | 6,262,331 | 5,881,747 |
| PLAN FIDUCIARY NET POSITION - End of Year | \$ 6,399,342 | \$ 6,672,712 | \$ 6,530,192 | \$ 6,150,416 | \$ 6,023,394 | \$ 6,262,331 |
| Net Pension (Asset) Liability | \$ 610,998 | \$ (134,106) | \$ (396,029) | \$ (95,608) | \$ (153,036) | \$ (309,020) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 91.28% | 102.05% | 106.46% | 101.58% | 102.61% | 105.19% |
| Covered Payroll | \$ 29,846 | \$ 83,181 | \$ 148,690 | \$ 181,491 | \$ 152,797 | \$ 157,429 |
| Net Pension Liability as a Percentage of the Covered Payroll | 2047.17% | -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 September 30, 2019, 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.

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

For measurement date September 30, 2018, 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 September 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 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 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | |
| Service Cost | \$ 142,833 | \$ 139,148 | \$ 108,643 | \$ 143,226 | \$ 153,105 | \$ 146,250 |
| Interest | 546,035 | 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 | 12,271 | - | - | - | - | - |
| Difference Between Expected and Actual Experience | (216,212) | 191,813 | (184,278) | (60,536) | (104,097) | - |
| Change of Assumptions | - | (21,036) | - | 206,276 | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (404,929) | (600,203) | (360,884) | (249,242) | (213,139) | (203,603) |
| Net Change in Total Pensions Liability | 79,998 | 246,083 | 58,107 | 543,503 | 316,149 | 397,404 |
| Total Pension Liability - Beginning of Year | 7,327,826 | 7,081,743 | 7,023,636 | 6,480,133 | 6,163,984 | 5,766,580 |
| TOTAL PENSION LIABILITY - End of Year | \$ 7,407,824 | \$ 7,327,826 | \$ 7,081,743 | \$ 7,023,636 | \$ 6,480,133 | \$ 6,163,984 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - Employer | \$ 445,654 | \$ 330,429 | \$ 363,321 | \$ 330,229 | \$ 412,081 | \$ 342,083 |
| Contributions - State of Florida | 38,071 | 39,835 | 49,927 | 43,087 | 41,577 | 46,301 |
| Contributions - Employee | 32,362 | 31,510 | 32,690 | 29,590 | 33,093 | 33,750 |
| Net Investment Income | 215,579 | 529,834 | 634,997 | 327,419 | (36,226) | 439,120 |
| Benefit Payments and Refunds | (404,929) | (600,203) | (360,882) | (249,242) | (213,139) | (203,603) |
| Administrative Expenses | (78,852) | (66,011) | (54,265) | (57,291) | (66,097) | (53,989) |
| Net Change in Plan Fiduciary Net Position | 247,885 | 265,394 | 665,788 | 423,792 | 171,289 | 603,662 |
| Plan Fiduciary Net Position - Beginning of Year | 6,218,046 | 5,952,652 | 5,286,864 | 4,863,072 | 4,691,783 | 4,088,121 |
| PLAN FIDUCIARY NET POSITION - End of Year | \$ 6,465,931 | \$ 6,218,046 | \$ 5,952,652 | \$ 5,286,864 | \$ 4,863,072 | \$ 4,691,783 |
| Net Pension (Asset) Liability | \$ 941,893 | \$ 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 | 87.29% | 84.86% | 84.06% | 75.27% | 75.05% | 76.12% |
| Covered Payroll | \$ 647,238 | \$ 630,200 | \$ 653,809 | \$ 591,797 | \$ 667,541 | \$ 677,155 |
| Net Pension Liability as a Percentage of the Covered Payroll | 145.52% | 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:

Change 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."

Changes of assumptions:

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

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

For measurement date September 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.

**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 Payroll | Contributions as a Percentage of Covered Payroll |
|-----------------------------|---|--|--|--------------------|---|
| 2020 | \$ 21,817 | \$ 21,817 | \$ - | \$ - | 0.00% |
| 2019 | 18,170 | 18,170 | - | 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, 2020 contributions, the valuation date was as of October 1, 2018.

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

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 - 7.5% 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.

For members hired after April 27, 2014, the normal retirement date is the earlier of (1) age 55 with 10 years of credited service, (2) the completion of 25 years of credited service, regardless of age or (3) attainment of age 60, regardless of years of credited service.

It is assumed members will continue employment for one additional year after reaching normal retirement age.

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 Payroll | Contributions as a Percentage of Covered Payroll |
|-----------------------------|---|--|--|--------------------|---|
| 2020 | \$ 406,058 | \$ 384,110 | \$ (21,948) | \$ 781,814 | 49.13% |
| 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, 2020 contributions, the valuation date was as of October 1, 2018.

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

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 - 7.50% 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.

Retirement Age Table:

| % retiring during the year | | | | | |
|--|-------|-------------------------|------|-----|---|
| (10 to 25 years of service) | | (> 25 years of service) | | | |
| Age | Rate | Age | Rate | | |
| 55-56 | 50% | 25-27 | 25% | | |
| 57+ | 100% | 28 | 50% | | |
| | | | | 29+ | 100% |
| | | | | Age | % Becoming Disabled During the Year |
| % Terminating Service during the year | | | | 25 | 0.03% |
| | | | | 30 | 0.04% |
| | | | | 35 | 0.05% |
| | | | | 40 | 0.07% |
| | | | | 45 | 0.10% |
| | | | | 50 | 0.18% |
| | | | | 55 | 0.36% |
| | | | | 60 | 0.90% |
| Service | Rate | | | | |
| 0-14 years | 2.50% | | | | |
| 15+ years | 0.00% | | | | |

**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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| City's Proportion of the Net Pension Liability | 0.003422592% | 0.002991289% | 0.002506030% | 0.002295989% | 0.002149501% | 0.001058703% |
| City's Proportionate Share of the Net Pension Liability | \$ 1,483,402 | \$ 1,030,158 | \$ 754,829 | \$ 679,138 | \$ 542,751 | \$ 136,746 |
| City's Covered Payroll | \$ 1,649,220 | \$ 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 | 89.95% | 92.71% | 60.69% | 66.04% | 58.50% | 37.93% |
| Pension Liability | 78.85% | 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**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| Contractually Required Contribution | \$ 103,695 | \$ 111,507 | \$ 74,795 | \$ 61,407 | \$ 58,491 | \$ 34,552 |
| Contribution | <u>(103,695)</u> | <u>(111,507)</u> | <u>(74,795)</u> | <u>(61,407)</u> | <u>(58,491)</u> | <u>(34,552)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Payroll | \$ 1,641,970 | \$ 1,469,769 | \$ 1,311,165 | \$ 1,062,216 | \$ 1,013,067 | \$ 518,601 |
| Contributions as a Percentage of Covered Payroll | 6.32% | 7.59% | 5.70% | 5.78% | 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**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| City's Proportion of the Net Pension Liability | 0.004735876% | 0.004172300% | 0.003808200% | 0.003207676% | 0.003005484% | 0.001178455% |
| City's Proportionate Share of the Net Pension Liability | 578,243 | 466,839 | 403,064 | 342,980 | 350,277 | 120,184 |
| City's Covered Payroll | 1,649,220 | 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 | 35.06% | 33.40% | 32.41% | 33.35% | 37.75% | 33.34% |
| Pension Liability | 3.00% | 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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually Required Contribution | 27,262 | 24,402 | 21,771 | 17,531 | 16,820 | 7,312 |
| Contributions in Relation to the Contractually Required Contribution | <u>(27,262)</u> | <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>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |
| City's Covered Payroll | 1,641,970 | 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% | 1.66% | 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.

**CITY OF AVON PARK, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – CRA FUNDS
YEAR ENDED SEPTEMBER 30, 2020**

| | Community Redevelopment Agency - Main Street Fund | Community Redevelopment Agency - South Side Fund | Community Redevelopment Agency - Airport Fund | Total CRA Funds |
|--|--|---|--|-----------------------|
| REVENUES | | | | |
| Tax Increment Revenues: | | | | |
| Highlands County | \$ 176,547 | \$ 51,575 | \$ 20,579 | \$ 248,701 |
| Total Revenues | <u>176,547</u> | <u>51,575</u> | <u>20,579</u> | <u>248,701</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic Environment: | | | | |
| Personal Services | 1,725 | 1,725 | 1,725 | 5,175 |
| Professional Services | 738 | 1,140 | 82 | 1,960 |
| Grants and Subsidies | 31,110 | - | - | 31,110 |
| Total Expenditures | <u>33,573</u> | <u>2,865</u> | <u>1,807</u> | <u>38,245</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 142,974 | 48,710 | 18,772 | 210,456 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer - TIF Revenue from the City | 6,195 | 1,810 | 722 | 8,727 |
| Transfer - Forgiveness of Loan from the City's General Fund | 488,522 | - | - | 488,522 |
| Total Other Financing Sources | <u>494,717</u> | <u>1,810</u> | <u>722</u> | <u>497,249</u> |
| NET CHANGE IN FUND BALANCE | 637,691 | 50,520 | 19,494 | 707,705 |
| Fund Balances - Beginning of Year | <u>(63,397)</u> | <u>88,870</u> | <u>127,827</u> | <u>153,300</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 574,294</u> | <u>\$ 139,390</u> | <u>\$ 147,321</u> | <u>\$ 861,005</u> |

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CDBG FUND
SEPTEMBER 30, 2020**

| | <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 | \$ 15,049 | \$ (784,951) |
| EXPENDITURES | | | | |
| Economic Environment | <u>800,000</u> | <u>800,000</u> | <u>23,631</u> | <u>776,369</u> |
| NET CHANGE IN FUND BALANCE (DEFICIT) | - | - | (8,582) | (8,582) |
| Fund Balances (Deficit) - Beginning of Year | <u>-</u> | <u>-</u> | <u>(5,000)</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (13,582)</u> | <u>\$ (8,582)</u> |

**CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2020**

| | Police Officers' Retirement System | Firefighters' Retirement System | Total Pension Trust Funds |
|--|--|---------------------------------------|---------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 26,413 | \$ 65,092 | \$ 91,505 |
| Receivables: | | | |
| Contribution Receivable: | | | |
| Plan Members | - | 1,516 | 1,516 |
| State of Florida | - | 39,085 | 39,085 |
| Brokerage Transactions | 120,000 | - | 120,000 |
| Accrued Income | 7,344 | 9,655 | 16,999 |
| Total Receivables | 127,344 | 50,256 | 177,600 |
| Prepaid Benefit Payments | 38,267 | 33,124 | 71,391 |
| Investments, at Fair Market Value: | | | |
| Multi-Sector Fixed Income Mutual Funds | - | 351,440 | 351,440 |
| Fixed Income Mutual Funds | 1,905,796 | - | 1,905,796 |
| U.S. Government and Agencies | - | 842,414 | 842,414 |
| Corporate and Foreign Bonds | - | 511,262 | 511,262 |
| Equity Securities and Mutual Funds | 3,832,529 | 4,729,920 | 8,562,449 |
| Real Estate Investment Fund | 499,200 | 503,314 | 1,002,514 |
| Total Investments | 6,237,525 | 6,938,350 | 13,175,875 |
| Total Assets | 6,429,549 | 7,086,822 | 13,516,371 |
| LIABILITIES | | | |
| Accounts Payable | 4,250 | 20,676 | 24,926 |
| Contribution Refund Payable | - | 3,385 | 3,385 |
| Total Liabilities | 4,250 | 24,061 | 28,311 |
| Net Position Restricted for Pensions | \$ 6,425,299 | \$ 7,062,761 | \$ 13,488,060 |

**CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2020**

| | <u>Police Officers' Retirement System</u> | <u>Firefighters' Retirement System</u> | <u>Total Pension Trust Funds</u> |
|--|---|--|--|
| ADDITIONS | | | |
| Contributions: | | | |
| City | \$ - | \$ 345,025 | \$ 345,025 |
| Plan Members | - | 39,090 | 39,090 |
| State of Florida | 75,222 | 39,085 | 114,307 |
| Total Contributions | <u>75,222</u> | <u>423,200</u> | <u>498,422</u> |
| Investment Income | 481,800 | 673,041 | 1,154,841 |
| Less Investment Expenses: | | | |
| Investment Management Fees | 14,399 | 11,771 | 26,170 |
| Custodial Fees | 4,402 | 3,622 | 8,024 |
| Performance Evaluation Fees | 17,000 | 17,000 | 34,000 |
| Total Investment Expenses | <u>35,801</u> | <u>32,393</u> | <u>68,194</u> |
| Net Investment Income | <u>445,999</u> | <u>640,648</u> | <u>1,086,647</u> |
| Total Additions | 521,221 | 1,063,848 | 1,585,069 |
| DEDUCTIONS | | | |
| Administrative Expenses | 51,577 | 71,437 | 123,014 |
| Payments to Retirees and Participants | 443,687 | 395,581 | 839,268 |
| Total Deductions | <u>495,264</u> | <u>467,018</u> | <u>962,282</u> |
| NET INCREASE IN NET POSITION | 25,957 | 596,830 | 622,787 |
| Net Position Restricted for Pensions - Beginning of Year | <u>6,399,342</u> | <u>6,465,931</u> | <u>12,865,273</u> |
| NET POSITION RESTRICTED FOR PENSION - END OF YEAR | <u>\$ 6,425,299</u> | <u>\$ 7,062,761</u> | <u>\$ 13,488,060</u> |

CITY OF AVON PARK, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2020

| Grantor/Pass through Grantor/ Program or Cluster Title | CFDA / CSFA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Expenditures |
|---|--------------------------|--|---------------------------------------|---------------------|
| <u>FEDERAL AWARDS</u> | | | | |
| U.S. Department of Housing and Urban Development | | | | |
| Passed-through Florida Department of Economic Opportunity | | | | |
| Small Cities Community Development Block | | | | |
| Grants / State's Program | 14.228 | 19DB-ON-07-38-02-H10 | \$ - | \$ 23,631 |
| Total U.S. Department of Housing and Urban Development | | | <u>-</u> | <u>23,631</u> |
| U.S. Department of Transportation | | | | |
| Direct Programs: | | | | |
| Federal Aviation Administration | | | | |
| Airport Improvement Program | 20.106 | | - | 1,241,725 |
| Covid-19 CARES Act Airport Grants | 20.106 | | - | 30,000 |
| Total U.S. Department of Transportation | | | <u>-</u> | <u>1,271,725</u> |
| Total Expenditures of Federal Awards | | | <u>\$ -</u> | <u>\$ 1,295,356</u> |
| <u>STATE FINANCIAL ASSISTANCE</u> | | | | |
| Florida Department of Transportation | | | | |
| Aviation Grant Programs | 55.004 | G1L28 | \$ - | \$ 135,382 |
| Total Florida Department of Transportation | | | <u>-</u> | <u>135,382</u> |
| Florida Department of Economic Opportunity | | | | |
| Regional Rural Development and Infrastructure | 40.042 | D0140 | - | 657,019 |
| Economic Development Tax Refund, Tax Credit, and Grant Program | 40.043 | G0061 | - | 971,500 |
| Total Florida Department of Economic Opportunity | | | <u>-</u> | <u>1,628,519</u> |
| Total Expenditures of State Financial Assistance | | | <u>\$ -</u> | <u>\$ 1,763,901</u> |

CITY OF AVON PARK, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2020

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Avon Park, Florida (City) for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 69I-5, Rules of the Florida Department of Financial Services. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City. The City did not receive noncash assistance during the year. There were no loans or loan guarantees outstanding.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for awards and financial assistance recorded in the governmental funds and the accrual basis of accounting for awards and financial assistance recorded in the proprietary funds, which are described in Note 1 to the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 69I-5, Rules of the Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

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

NOTE 4 CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowances, if any would have a material effect on the financial position of the City.



**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 8, 2021. 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*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the pension trust funds or that are reported on separately by those auditors who audited the financial statements of the pension trust funds.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we considered to be a material weakness.

Compliance and Other Matters

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

City of Avon Park, Florida's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 8, 2021



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

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

Report on Compliance for Each Major Federal Program and State Project

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

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion on Regional Rural Development and Infrastructure

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CSFA 40.042 Regional Rural Development and Infrastructure as described in finding 2020-005 for allowable costs and 2020-007 for reporting. Compliance with such requirements is necessary, in our opinion, for City to comply with the requirements applicable to that program.

Qualified Opinion on Regional Rural Development and Infrastructure

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Regional Rural Development and Infrastructure for the year ended September 30, 2020.

Basis for Qualified Opinion on Economic Development Tax Refund, Tax Credit, and Grant Program

As described in the accompanying schedule of findings and questioned costs, The City did not comply with requirements regarding CSFA 40.043 Economic Development Tax Refund, Tax Credit, and Grant Program as described in finding 2020-005 for allowable costs, 2020-006 for cash management, and 2020-007 for reporting. Compliance with such requirements is necessary, in our opinion, for City to comply with the requirements applicable to that program.

Qualified Opinion on Regional Economic Development Tax Refund, Tax Credit, and Grant Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Economic Development Tax Refund, Tax Credit, and Grant Program for the year ended September 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs and State Projects

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs and state projects identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and which is described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on each major federal program and state project is not modified with respect to this matter.

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

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, and 2020-007 that we consider to be material weaknesses.

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

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

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Sebring, Florida
October 8, 2021

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

| CFDA Number | Name of Federal Program or Cluster |
|--------------------|---|
| 20.106 | Airport Improvement Program |

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

Identification of Major Federal Programs (Continued)

Auditee qualified as low-risk auditee? yes x no

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Section I – Summary of Auditors’ Results (Continued)

State Financial Assistance

1. Internal control over state projects:
 - Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for state projects: Qualified
3. Any audit findings disclosed that are Required to be reported in accordance With Chapter 10.550, *Rules of the Auditor General*? x yes no

Identification of Major State Projects

CSFA Number

40.042
40.043

Name of State Project

Regional Rural Development and Infrastructure
Economic Development Tax Refund, Tax Credit,
and Grant Program

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

\$529,170

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Section II – Financial Statement Findings

2020-001 – Timeliness of Financial Statement Reporting

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Delays preparing a complete trial balance and supporting schedules 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.

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.

Repeat Finding: The finding is a repeat of a finding in the two immediately prior years. Prior year finding numbers were 2019-002 and 2018-003.

Recommendation: The City should ensure that sufficient internal and external resources are in place to complete the year end closing process and preparation for the audit.

Views of responsible officials and planned corrective actions: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee the year end closing process and the City plans on going out to bid for CPA services.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

2020-002 – Reporting

Federal agency: Department of Transportation

Federal program title: Airport Improvement Program

CFDA Number: 20.106

AIP Grant Numbers:

- 3-12-0004-019-2019
- 3-12-0004-020-2020

Award Period:

- 09/23/2019 – 09/23/2023
- 06/08/2020 – 06/08/2024

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Noncompliance (Other Matters)

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires compliance with reporting provisions. The City should have internal controls to ensure compliance with those provisions. Project No. 3-12-0004-019-2019 and Project No. 3-12-0004-020-2020 at the City of Avon Park's Airport require the City to submit formal financial and performance reports on an annual basis using prescribed form SF-425 and formal reimbursement requests on an as needed basis using prescribed form SF-270.

Condition:

- There is no review process in place to ensure required reports are filed timely, accurately, and in accordance with program guidelines.
- Form SF-425 is being filed on cash basis rather than accrual basis, the basis on which the City records its financial records.
- Form SF-425 annual report for Project No. 3-12-0004-020-2020 was not filed, because there were no expenses at the time the report was due. The report was filed several months later as a final report when the expenses were incurred.

Questioned costs: None.

Context: Form SF-425 Federal Financial Report is due 90 days after fiscal year end, and financial information should be reported on the basis on which the grantee records its financial information. Additionally, the auditor noted no review process for any of the Form SF-425 and Form SF-270 reports that were tested.

Cause: Turnover in City employment and lack of knowledge and training of those managing grants.

Effect: A failure to submit required reports to FAA could result in disciplinary action such as a delay in payments or change in award.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Repeat Finding: No.

Recommendation: We recommend the City designate a responsible and qualified grant manager, establish key controls for reporting, and file required reports in a timely and accurate manner.

Views of responsible officials: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.

2020-003 – Matching

Federal agency: Department of Transportation

Federal program title: Airport Improvement Program

CFDA Number: 20.106

AIP Grant Numbers: 3-12-0004-019-2019

Award Period: 09/23/2019 – 09/23/2023

Type of Finding:

- Material Weakness in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires compliance with matching provisions. The City should have internal controls designed to ensure compliance with those provisions.

Condition: The City does not have adequate internal controls designed for review of matching requirements.

Questioned costs: None.

Context: A sample of 5 reimbursement requests was tested. The match calculation was not reviewed for any item in the sample. The sample was a statistically valid sample.

Cause: Turnover in City employment and lack of knowledge and training of those managing grants.

Effect: Grant match could be incorrectly calculated or over or under reported.

Repeat Finding: No.

Recommendation: We recommend the City designate a responsible and qualified grant manager and establish key controls for matching requirement.

Views of responsible officials: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

2020-004 – Special Tests and Provision

Federal agency: Department of Transportation

Federal program title: Airport Improvement Program

CFDA Number: 20.106

AIP Grant Numbers: 3-12-0004-019-2019

Award Period: 09/23/2019 – 09/23/2023

Type of Finding:

- Material Weakness in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires compliance with the provisions of special tests and provisions, including the Davis-Bacon Act. The City should have internal controls designed to ensure compliance with those provisions.

Condition: The City does not have adequate internal controls designed for review of Davis-Bacon Act monitoring and reporting performed by the grant consultant.

Questioned costs: None.

Context: In a sample of 6 certified payrolls we noted that Davis-Bacon monitoring was performed by the consultant; however, no one at the City reviewed the consultants work. The sample was a statistically valid sample.

Cause: Turnover in City employment and lack of review processes in managing grants.

Effect: The auditor noted no instances of noncompliance with the provisions of the Davis-Bacon Act; however, the lack of internal controls over the compliance requirements provides an opportunity for noncompliance. If the prevailing wage rate is not paid to contracted laborers, this could result in the City owing funds back to the grantor.

Repeat Finding: No.

Recommendation: We recommend the City designate a responsible and qualified grant manager and establish key controls for review of Davis-Bacon Act monitoring performed by the consultant. The reviewer needs to be familiar with the grant and its requirements as well as the Davis-Bacon Act.

Views of responsible officials: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants and, when necessary, will consult with a firm qualified in the Davis-Bacon Act.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

Section IV – Findings and Questioned Costs – Major State Projects

2020-005 – Allowable Costs and Period of Availability of State Funds

State agency: Department of Economic Opportunity

| | | |
|----------------------|---|--|
| State Program Title: | Regional Rural Development and Infrastructure | Economic Development Tax Refund, Tax Credit, and Grant Program |
| CSFA Number: | 40.042 | 40.043 |
| DEO Grant Number: | D0140 | G0061 |
| Award Period: | 09/13/2019 – 09/12/2021 | 05/14/2019 – 12/31/2035 |

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance (Modified Opinion)

Criteria or specific requirement: Chapter 10.550, *Rules of the Auditor General* for Local Governmental Entity Audits requires compliance with the provisions of allowable costs and period of availability of state funds. The City should have internal controls designed to ensure compliance with these provisions.

Condition:

- There is no review process in place to ensure costs incurred are for allowable costs and are expended within the period of availability of state funds.
- The grants were used for utility expansion project. Land purchased for the project was charged to the grants, which was not an allowable cost per the scope of work.

Questioned costs:

| CSFA Number | 40.042 | 40.043 | Total |
|----------------|---------|----------|----------|
| Land Purchased | \$8,918 | \$20,809 | \$29,727 |

Context: Two of five items tested were not reviewed by a grant manager prior to payment to ensure compliance with grant provisions. Additionally, one of five items tested was not an allowable cost per the scope of work. The samples were statistically valid samples.

Cause: Turnover in City employment and lack of knowledge and training of those managing grants.

Effect: The lack of internal controls provides an opportunity for noncompliance to go undetected. Grant funding may need to be returned to the grantor for funds used for activities outside the scope of work.

Repeat Finding: No.

Recommendation: We recommend the City designate a responsible grant manager and establish key controls to ensure expenditures are only for allowable purposes.

Views of responsible officials: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

2020-006 – Cash Management

State agency: Department of Economic Opportunity

State Program Title: Economic Development Tax Refund, Tax Credit, and Grant Program

CFDA Number: 40.043

DEO Grant Number: D0061

Award Period: 05/14/2019 – 12/31/2035

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance (Modified Opinion)

Criteria or specific requirement: Chapter 10.550, *Rules of the Auditor General* for Local Governmental Entity Audits requires compliance with the provisions of cash management. The City should have internal controls designed to ensure compliance with those provisions. The agreement states that the grantee shall provide one invoice quarterly for all services rendered during the applicable period of time.

Condition: No reimbursement requests were filed during the year.

Questioned costs: None.

Context: Invoices were required during the fiscal year but were not filed until completion of the project after fiscal year end.

Cause: Turnover in City employment and lack of knowledge and training of those managing grants.

Effect: Failure to complete the deliverables in accordance with the requirements of the grant agreement may result in the grantor's assessment of financial consequences.

Repeat Finding: No.

Recommendation: We recommend the City designate a responsible grant manager, establish key controls for cash management, and file required reimbursement requests in a timely manner.

Views of responsible officials: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

2020-007 – Reporting

State agency: Department of Economic Opportunity

| | | |
|----------------------|---|--|
| State Program Title: | Regional Rural Development and Infrastructure | Economic Development Tax Refund, Tax Credit, and Grant Program |
| CSFA Number: | 40.042 | 40.043 |
| DEO Grant Number: | D0140 | G0061 |
| Award Period: | 09/13/2019 – 09/12/2021 | 05/14/2019 – 12/31/2035 |

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance (Modified Opinion)

Criteria or specific requirement: Chapter 10.550, *Rules of the Auditor General* for Local Governmental Entity Audits requires compliance with the provisions of reporting. The City should have internal controls designed to ensure compliance with these provisions.

Condition:

- There is no review process in place to ensure reports are filed accurately and timely.
- None of the required reports were filed during the fiscal year. Reports were filed after completion of the project.

Questioned costs: None

Context: Both grants require quarterly progress and MBE reports be filed within 30 days of each quarter end.

Cause: Turnover in City employment and lack of knowledge and training of those managing grants.

Effect: The lack of internal controls provides an opportunity for noncompliance to go undetected. Noncompliance with grant requirements could require funding to be repaid or jeopardize future funding opportunities.

Repeat Finding: No.

Recommendation: We recommend the City designate a responsible grant manager and establish key controls to ensure reports are submitted accurately and timely.

Views of responsible officials: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.



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, 2020, and have issued our report thereon dated October 8, 2021.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated October 8, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report, except as 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. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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



CliftonLarsonAllen LLP

Sebring, Florida
October 8, 2021

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

STATUS OF PRIOR YEAR FINDINGS

| Prior Year Findings | Current Year Status | | | Current | 2018-2019 | 2017-2018 |
|---|---------------------|----------------------|----------------|-------------------|-------------------|-------------------|
| | Cleared | Partially Cleared | Not Cleared | Year Finding # | Year Finding # | Year Finding # |
| Budgets | X | | | N/A | 2019-003 | 2018-008 |
| Timeliness of Review | X | | | N/A | 2019-001 | 2018-001 |
| Timeliness of Financial Statement Reporting | | | X | 2020-001 | 2019-002 | 2018-003 |

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None



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, 2020. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sebring, Florida
October 8, 2021

**CITY OF AVON PARK
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2020**

The City of Avon Park respectfully submits the following corrective action plan for the year ended September 30, 2021.

Audit period October 1, 2019 – September 30, 2020

FINDINGS – FINANCIAL STATEMENT AUDIT
MATERIAL WEAKNESS

2020-001 Timeliness of Financial Reporting

Recommendation: The City should ensure that sufficient internal and external resources are in place to complete the year end closing process and preparation for the audit.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee the year end closing process and the City plans on going out to bid for CPA services.

Name of the contact person responsible for corrective action: Melody Sauerhafer

Planned completion date for corrective action plan: October 1, 2021

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS
DEPARTMENT OF TRANSPORTATION

2020-002 Airport Improvement Program – CFDA No. 20.106

Recommendation: The City should designate a responsible and qualified grant manager, establish key controls for reporting, and file required reports in a timely and accurate manner.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.

Name of the contact person responsible for corrective action: Melody Sauerhafer

Planned completion date for corrective action plan: October 1, 2021

DEPARTMENT OF TRANSPORTATION

2020-003 Airport Improvement Program – CFDA No. 20.106

Recommendation: The City should designate a responsible and qualified grant manager and establish key controls for matching requirements.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.

Name of the contact person responsible for corrective action: Melody Sauerhafer

Planned completion date for corrective action plan: October 1, 2021

DEPARTMENT OF TRANSPORTATION

2020-004 Airport Improvement Program – CFDA No. 20.106

Recommendation: The City should designate a responsible and qualified grant manager and establish key controls for review of Davis-Bacon Act monitoring performed by the consultant. The reviewer needs to be familiar with the grant and its requirements as well as the Davis-Bacon Act.

**CITY OF AVON PARK
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2020**

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants and, when necessary, will consult with a firm qualified in the Davis-Bacon Act.

Name of the contact person responsible for corrective action: Melody Sauerhafer

Planned completion date for corrective action plan: October 1, 2021

FINDINGS – STATE PROJECTS

FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY

**2020-005 *Regional Rural Development and Infrastructure – CSFA No. 40.042
Economic Development Tax Refund, Tax Credit, and Grant Program – CSFA No.
40.043***

Recommendation: The City should designate a responsible and qualified grant manager, establish key controls for reporting, and file required reports in a timely and accurate manner.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.

Name of the contact person responsible for corrective action: Melody Sauerhafer

Planned completion date for corrective action plan: October 1, 2021

FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY

**2020-006 *Regional Rural Development and Infrastructure – CSFA No. 40.042
Economic Development Tax Refund, Tax Credit, and Grant Program – CSFA No.
40.043***

Recommendation: The City should designate a responsible and qualified grant manager, establish key controls for cash management, and file required reimbursement requests in a timely manner.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.

Name of the contact person responsible for corrective action: Melody Sauerhafer

Planned completion date for corrective action plan: October 1, 2021

FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY

**2020-007 *Regional Rural Development and Infrastructure – CSFA No. 40.042
Economic Development Tax Refund, Tax Credit, and Grant Program – CSFA No.
40.043***

Recommendation: The City should designate a responsible and qualified grant manager and establish key controls to ensure reports are submitted accurately and timely.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The City has had staff turnover in the Finance Department and has now hired an experienced Financial Analyst to oversee grants.

Name of the contact person responsible for corrective action: Melody Sauerhafer

Planned completion date for corrective action plan: October 1, 2021