

CITY OF AVON PARK, FLORIDA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2024



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**CITY OF AVON PARK, FLORIDA
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Infrastructure Fund, CRA Fund, and CDBG Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Firefighters' pension trust fund, which represent 58%, 58%, and 63%, respectively, of the assets, net position, and revenues of the aggregate remaining fund information as of September 30, 2024. 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 Firefighters' pension trust fund, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Police Officers' pension trust fund, included in the aggregate remaining fund information were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS by us and other auditors. In our opinion, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Lakeland, Florida
January 29, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

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, 2023.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by \$68.4 million (net position). Of this amount, \$37.2 million represented the City's net investment in capital assets, and \$11.8 million was restricted by laws or capital projects. The remaining \$19.3 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased \$1.3 million from its current year activity, of which \$2.3 million was an increase from governmental activities which was netted against a \$1.0 decrease in business type.
- As of September 30, 2024, the City reported combined governmental ending fund balances of \$20 million, a decrease of \$0.4 million from the prior year. In addition, the City reported a combined proprietary fund net position of \$38.7 million, a decrease of \$1.0 million from the prior year.
- On September 30, 2024, unassigned fund balance (the City's Reserves) for the general fund was \$10.8 million, or 126% of total general fund expenditures compared to 100% in the prior year. By policy, the City is only required to keep reserves of 20%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector businesses.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

Both government-wide financial statements distinguish functions of the City principally supported by taxes and intergovernmental revenues (governmental activities) from other functions intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, transportation, culture and recreation, and economic environment. Business-type activities of the City include water and sewer, airport, and solid waste activities.

The government-wide financial statements can be found by referencing the table of contents 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 by referencing the table of contents 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.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

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 by referencing the table of contents of this report.

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

The basic fiduciary fund financial statements can be found by referencing the table of contents 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 by referencing the table of contents 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 by referencing the table of contents 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 \$68.4 million at the close of the most recent fiscal year.

The largest portion of the City's net position, \$37.2 million (55%), 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, \$11.8 million (17%), represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$19.4 million (28%).

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

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 by referencing the table of contents of this report.

CITY OF AVON PARK'S NET POSITION (SUMMARY)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$ 23,420,560	\$ 21,928,462	\$ 16,333,493	\$ 16,121,869	\$ 39,754,053	\$ 38,050,331
Capital Assets	11,563,750	8,484,140	27,799,471	28,882,046	39,363,221	37,366,186
Total Assets	34,984,310	30,412,602	44,132,964	45,003,915	79,117,274	75,416,517
Deferred Outflows of Resources	2,825,269	3,106,027	723,027	632,778	3,548,296	3,738,805
Long-Term Liabilities						
Outstanding	4,733,626	4,565,621	2,135,031	2,021,223	6,868,657	6,586,844
Other Liabilities	2,394,839	493,685	2,064,688	1,914,192	4,459,527	2,407,877
Total Liabilities	7,128,465	5,059,306	4,199,719	3,935,415	11,328,184	8,994,721
Deferred Inflows of Resources	989,146	1,074,980	1,934,165	1,974,656	2,923,311	3,049,636
Net Position:						
Net Investment in Capital Assets	9,471,602	8,433,584	27,745,541	28,804,678	37,217,143	37,238,262
Restricted	10,886,515	10,062,019	960,563	960,563	11,847,078	11,022,582
Unrestricted	9,333,851	8,888,740	10,016,003	9,961,381	19,349,854	18,850,121
Total Net Position	\$ 29,691,968	\$ 27,384,343	\$ 38,722,107	\$ 39,726,622	\$ 68,414,075	\$ 67,110,965

Governmental Activities. For the current year, total assets increased \$3,700,757 or 15%; deferred outflows of resources decreased \$190,509 or 9%; total liabilities increased \$2,333,463 or 41%; deferred inflows of resources decreased \$126,325 or 8%; resulting in an increase to net position of \$1,303,110 or 8%.

The most significant change in total assets include an increase in capital assets of \$3,079,610 or 36%.

The increase in deferred outflows and deferred inflows represent actuarial differences for pension and other postemployment benefits to be recognized as expenses in future periods and is primarily due to the current year's investment performance of the City's pension plans which were greater than the actuarial projection for the current year and due to changes in the assumed mortality rates for the firefighters pension trust fund.

The significant changes in total liabilities include an increase in net pension liability of \$218,813 or 4%. Other liabilities increased \$2,051,650 or 385%.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

Business-type Activities. For the current year, total assets decreased \$870,951 or 2%; deferred outflows of resources increased \$90,249 or 12%; total liabilities increased \$264,304 or 6%; and deferred inflows of resources decreased \$40,491 or 2%, which resulted in a decrease to net position of \$1,004,515 or 3%.

Significant changes in total assets include a decrease in total cash of \$211,624 or 1% and a decrease in capital assets \$1,082,575, or 4%.

Significant changes in total liabilities include increases in long-term liabilities of \$113,808 or 5% and increase in other liabilities of \$150,496 or 7%.

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 by referencing the table of contents of this report.

CITY OF AVON PARK'S STATEMENT OF ACTIVITIES (SUMMARY)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Program Revenues:						
Charges for Services	\$ 993,596	\$ 935,645	\$ 7,928,592	\$ 7,554,737	\$ 8,922,188	\$ 8,490,382
Operating Grants and Contributions	371,218	2,824,768	-	-	371,218	2,824,768
Capital Grants and Contributions	142,755	531,959	639,455	4,487,203	782,210	5,019,162
General Revenues:						
Property Taxes	2,694,393	2,139,827	-	-	2,694,393	2,139,827
Other Taxes	3,366,914	3,413,146	-	-	3,366,914	3,413,146
Insurance Recoveries	140,473	137,460	587	34,505	141,060	171,965
Other	2,540,885	2,119,156	736,249	204,777	3,277,134	2,323,933
Total Revenues	10,250,234	12,101,961	9,304,883	12,281,222	19,555,117	24,383,183

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

(Continued)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Total Revenues	\$ 10,250,234	\$ 12,101,961	\$ 9,304,883	\$ 12,281,222	\$ 19,555,117	\$ 24,383,183
Expenses:						
General						
Government	1,071,810	1,117,054	-	-	1,071,810	1,117,054
Public Safety	5,824,254	5,483,427	-	-	5,824,254	5,483,427
Transportation	1,662,195	1,855,354	-	-	1,662,195	1,855,354
Culture and Recreation	731,563	710,042	-	-	731,563	710,042
Economic						
Environment	250,235	157,869	-	-	250,235	157,869
Water and Sewer	-	-	5,191,727	5,156,233	5,191,727	5,156,233
Airport	-	-	1,348,626	1,659,549	1,348,626	1,659,549
Solid Waste	-	-	2,171,597	2,202,819	2,171,597	2,202,819
Total Expenses	<u>9,540,057</u>	<u>9,323,746</u>	<u>8,711,950</u>	<u>9,018,601</u>	<u>18,252,007</u>	<u>18,342,347</u>
Excess (Deficiency)						
Before Transfers	710,177	2,778,215	592,933	3,262,621	1,303,110	6,040,836
Special Item	-	(349,140)	-	-	-	(349,140)
Transfers	<u>1,597,448</u>	<u>1,900,992</u>	<u>(1,597,448)</u>	<u>(1,900,992)</u>	<u>-</u>	<u>-</u>
Change in						
Net Position	2,307,625	4,330,067	(1,004,515)	1,361,629	1,303,110	5,691,696
Net Position -						
Beginning	<u>27,384,343</u>	<u>23,054,276</u>	<u>39,726,622</u>	<u>38,364,993</u>	<u>67,110,965</u>	<u>61,419,269</u>
Net Position -						
Ending	<u>\$ 29,691,968</u>	<u>\$ 27,384,343</u>	<u>\$ 38,722,107</u>	<u>\$ 39,726,622</u>	<u>\$ 68,414,075</u>	<u>\$ 67,110,965</u>

Governmental Activities. The City's governmental activities' change in net position for the year was an increase of \$2,307,625, which is a \$2,022,442 decrease compared to the prior year's increase of \$4,330,067. Key components of the change compared to the prior year were total revenues decreased by \$1,851,727 or 15% while total expenses increased \$216,311 or 2%, while transfers decreased by \$303,544 or 16% during the year.

The current year decrease in revenue of \$1,851,727 includes the following significant changes:

- An increase of \$554,566 of property taxes.
- A decrease of \$2,696,508 or 95% in operating grants and contributions that the City received.
- A decrease of \$146,246 or 27% in capital grants and contributions received by the City.

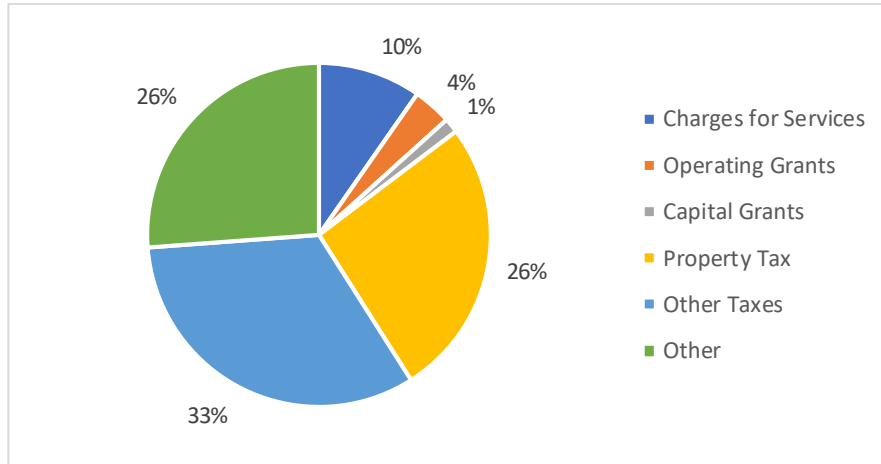
The decrease in total expenses of \$216,311 includes the following significant changes:

- Public safety expenses increased by \$340,827 or 6% mainly due to the amount charged by the Highlands County Sheriff's Office to provide law enforcement services.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

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

Revenue by Source – Governmental Activities



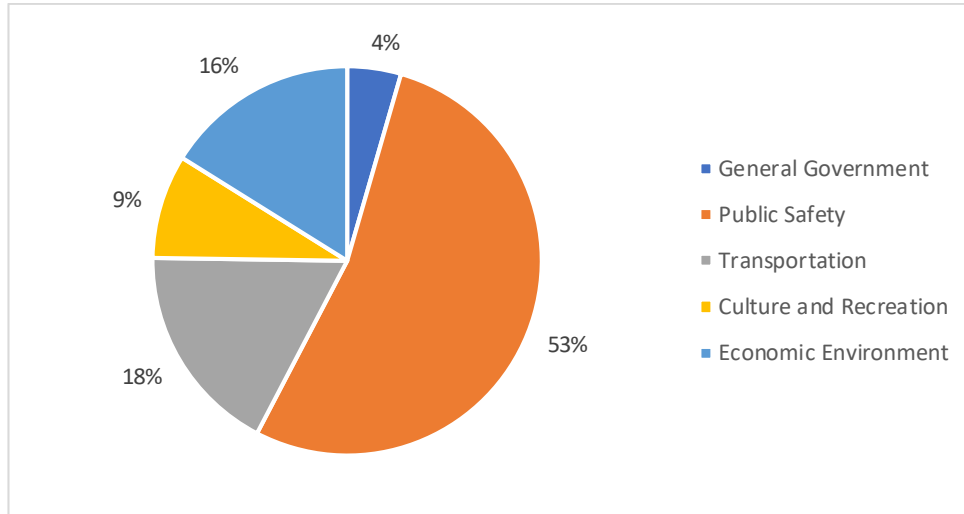
The largest revenue category for the governmental activities is tax revenue (property and other taxes) which account for 59% (46% in the prior year) of governmental activities revenue followed by other revenue totaling 26% (19% in the prior year).

Program Revenue decreased \$2,784,803 or 65% compared to the prior year activity. Which is primarily due to a \$2.5 million decrease in General Government due to ARPA revenue recognized in the prior year and the City not receiving any new significant grants.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

Program revenues and program expenses, by function, are illustrated in the following charts:

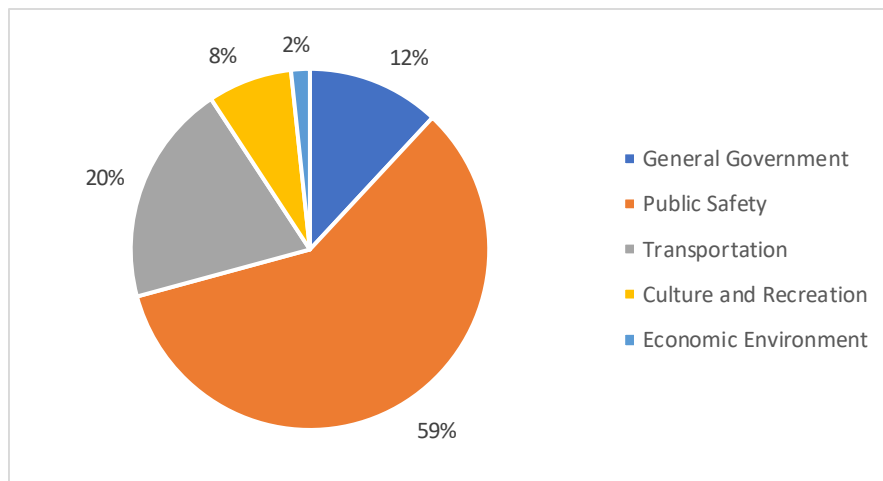
Program Revenue for Governmental Activities



Total expenses for governmental activities increased \$216,311 or 2% when compared to the prior year. Significant relationships between program revenues and expenses are as follows:

- Public safety accounts for 53% of program revenues and 61% of program expenses.
- Transportation accounts for 34% of program revenues and 17% of program expenses.

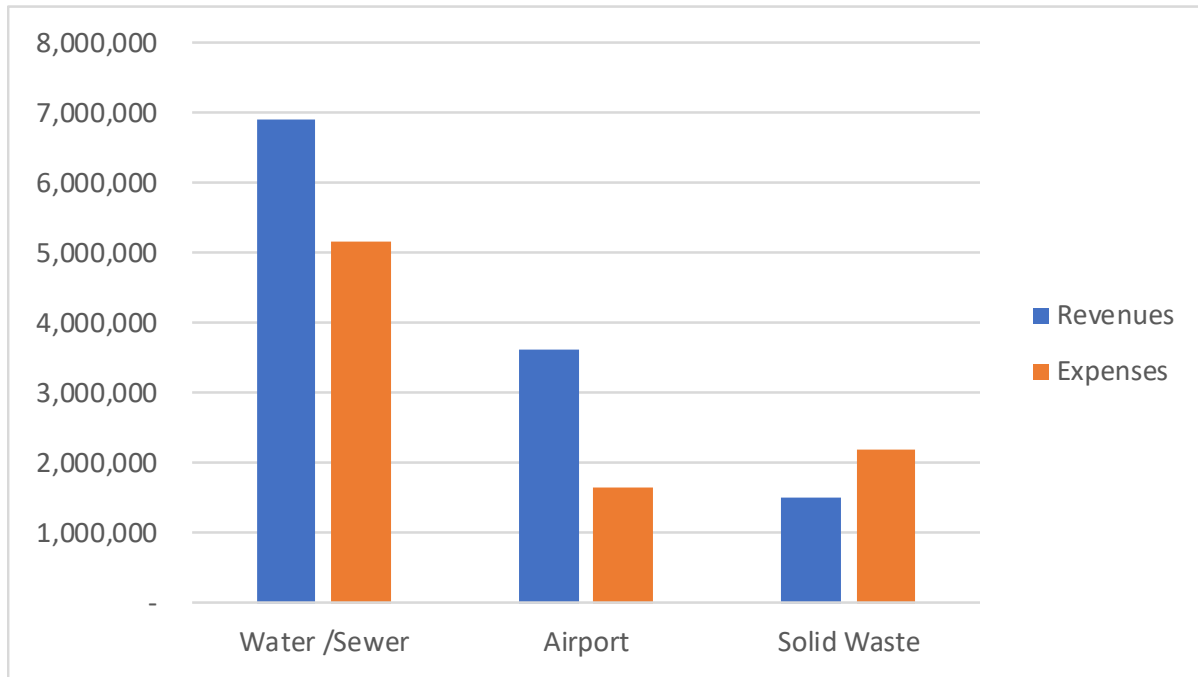
Program Expenses – Governmental Funds



**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

Business-type Activities. Business-type activities account for 57% of the City's net position down from 59% in the prior year. 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 \$592,933, an decrease of \$2,669,688 in comparison to the prior year. After transfers, business-type activities decreased its net position by \$1,004,515, which was an decrease of \$2,366,144 in comparison to the prior year. Key elements of this change from the prior year were as follows:

The water and sewer fund had operating income of \$874,718 an increase of \$448,813 compared to the prior year. Personnel costs increased \$65,732 (3%); supply costs increased \$25,936 (1%); and depreciation expense decreased \$60,682 (5%). Overall operating expenses increased \$30,986 (1%).

The Airport Fund had an operating loss of \$865,035, an improvement of \$313,795 when compared to the prior year's loss. Operating revenues increased \$2,872 (1%) and operating expenses decreased \$310,923 (19%), which is primarily due to a \$344,940 (197%) decrease in materials and supplies compared to prior year. On a cash flow basis, the Airport Fund had a negative operating cash flow of \$413,185 which is a \$129,524 improvement compared to negative operating cash flow of \$542,709 in 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, 2024**

The Solid Waste Fund had an operating loss of \$788,533, which is a decline of \$77,594 when compared to the prior year. Operating revenues decreased \$108,816 (7%) and operating expenses decreased \$31,222 (1%) when compared to the prior year. The change in expenses includes increases in personnel costs of \$43,573 (4%), a decrease in materials and supplies of \$49,662 (6%) and a decrease in depreciation of \$25,133 (10%). On a cash flow basis, the Solid Waste Fund had a negative operating cash flow of \$558,461 compared to a negative operating cash flow of \$315,409 in 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 \$20,094,334, a decrease of \$355,268 in comparison to the prior year. The unassigned fund balance of \$10,543,656, or 52% (55% in the prior year), 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. \$226,613 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 \$10,827,622 while total fund balance reached \$11,529,109. 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 126% and 133%, respectively. The City's fund balance in the general fund for the fiscal year increased \$726,396 or 6%.

The fund balance of the City's infrastructure fund decreased by \$1,550,642 during the current fiscal year due to the City spending more for capital projects during the year than it received in revenues.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year was \$11,103,285. The Airport and Solid Waste fund's unrestricted net position was (\$468,155) and (\$619,127) 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, 2024**

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

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 General Fund's budget for 2024 was amended during the year by increasing budgeted expenditures by \$-. The overall budget variance for expenditures of the General Fund was \$1,987,605 positive.

The Infrastructure Fund's budget for 2024 was amended during the year by increasing budgeted expenditures by \$-. For the year, there was an overall favorable budget variance for expenditures in the amount of \$1,672,404. 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's budget for 2024 was amended during the year by increasing budgeted expenditures by \$-. Expenditures were less than budgeted amounts for a favorable expenditure budget variance of \$1,477,004.

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, 2024, net of accumulated depreciation, is \$39,363,221. Capital assets includes land, buildings, water production and distributions systems, wastewater collection and treatment plant, machinery and equipment, park facilities, roads, and curbs and sidewalks. The \$1,997,036 net increase in the City's investment in capital assets for the current fiscal year is the result of an ariel town purchased within the fiscal year.

**Capital Assets Activity
(net of accumulated depreciation)
As of September 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	\$ 387,870	\$ 403,202	\$ 2,349,207	\$ 2,349,207	\$ 2,737,077	\$ 2,752,409
Buildings and System	7,599,825	7,057,729	52,719,786	49,624,493	60,319,611	56,682,222
Machinery and Equipment	4,689,541	4,414,842	9,688,691	9,423,251	14,378,232	13,838,093
Right-to-Use Assets	-	-	-	-	-	-
Infrastructure	9,477,769	8,917,810	-	-	9,477,769	8,917,810
Construction in Progress	2,139,013	3,000	580,284	3,057,537	2,719,297	3,060,537
Total Capital Assets	24,294,018	20,796,583	65,337,968	64,454,488	89,631,986	85,251,071
Less: Accumulated Depreciation and Amortization	(12,730,268)	(12,312,443)	(37,538,497)	(35,572,442)	(50,268,765)	(47,884,885)
	<u>\$ 11,563,750</u>	<u>\$ 8,484,140</u>	<u>\$ 27,799,471</u>	<u>\$ 28,882,046</u>	<u>\$ 39,363,221</u>	<u>\$ 37,366,186</u>

Additional information on the City's capital assets can be found on Note 4 of the Notes to Financial Statements which can be found by referencing the table of contents of this report.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

Long-term debt. On September 30, 2024 the City had no formal long-term debt outstanding. During the 2022 year the City's business-type activities borrowed \$23,557 to fund water and sewer fund projects. As of September 30, 2023 \$23,357 was the ending balance on the loan.

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.

For the 2024-25 budget cycle, the City has increased revenues in the Water and Sewer Fund by 13.6%. The increased revenue for septage receiving at our Wastewater Treatment Plant had an increase in revenue of 150%. The Solid Waste Residential rates were increased by 46.7% and Commercial dumpster rates were increased by 10%.

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, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 21,183,135	\$ 12,794,535	\$ 33,977,670
Restricted Equity in Pooled Cash and Cash Equivalents	-	960,563	960,563
Receivables, Net	103,694	1,191,455	1,295,149
Lease Receivables	579,238	1,656,468	2,235,706
Internal Balances	681,180	(681,180)	-
Due from Other Governments	872,304	170,152	1,042,456
Prepaid Items	1,009	-	1,009
Inventory	-	241,500	241,500
Capital Assets:			
Land	387,870	2,349,207	2,737,077
Buildings and System	7,599,825	52,719,786	60,319,611
Equipment	4,689,541	9,688,691	14,378,232
Infrastructure	9,477,769	-	9,477,769
Construction in Progress	2,139,013	580,284	2,719,297
Accumulated Depreciation and Amortization	(12,730,268)	(37,538,497)	(50,268,765)
Total Assets	34,984,310	44,132,964	79,117,274
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	2,778,334	672,305	3,450,639
Deferred Outflows Related to OPEB	46,935	50,722	97,657
Total Deferred Outflows of Resources	2,825,269	723,027	3,548,296
LIABILITIES			
Accounts Payable and Accrued Liabilities	2,379,496	595,734	2,975,230
Deposits	-	1,468,954	1,468,954
Unearned Revenue	15,343	-	15,343
Noncurrent Liabilities:			
Net Pension Liability	4,369,755	1,849,714	6,219,469
Total OPEB Liability	137,258	148,340	285,598
Due Within One Year	192,600	114,918	307,518
Due in More than One Year	34,013	22,059	56,072
Total Liabilities	7,128,465	4,199,719	11,328,184
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	338,905	188,398	527,303
Deferred Inflows Related to OPEB	120,639	130,374	251,013
Deferred Inflows Related to Leases	529,602	1,615,393	2,144,995
Total Deferred Inflows of Resources	989,146	1,934,165	2,923,311
NET POSITION			
Net Investment in Capital Assets	9,471,602	27,745,541	37,217,143
Restricted for:			
Infrastructure	8,679,770	960,563	9,640,333
Community Redevelopment	2,176,576	-	2,176,576
Other	30,169	-	30,169
Unrestricted	9,333,851	10,016,003	19,349,854
Total Net Position	\$ 29,691,968	\$ 38,722,107	\$ 68,414,075

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024**

	Program Revenues				Net Expense (Revenue) and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
General Government	\$ 1,071,810	\$ 66,036	\$ 1,460	\$ -	\$ (1,004,314)	\$ -	\$ (1,004,314)
Public Safety	5,824,254	799,963	1,800	-	(5,022,491)	-	(5,022,491)
Transportation	1,662,195	122,270	-	142,755	(1,397,170)	-	(1,397,170)
Culture and Recreation	731,563	5,327	125,000	-	(601,236)	-	(601,236)
Economic Environment	250,235	-	242,958	-	(7,277)	-	(7,277)
Total Governmental Activities	<u>9,540,057</u>	<u>993,596</u>	<u>371,218</u>	<u>142,755</u>	<u>(8,032,488)</u>	<u>-</u>	<u>(8,032,488)</u>
Business-Type Activities:							
Water and Sewer	5,191,727	6,061,937	-	355,236	-	1,225,446	1,225,446
Airport	1,348,626	483,591	-	284,219	-	(580,816)	(580,816)
Solid Waste	2,171,597	1,383,064	-	-	-	(788,533)	(788,533)
Total Business-Type Activities	<u>8,711,950</u>	<u>7,928,592</u>	<u>-</u>	<u>639,455</u>	<u>-</u>	<u>(143,903)</u>	<u>(143,903)</u>
Total Primary Government	<u>\$ 18,252,007</u>	<u>\$ 8,922,188</u>	<u>\$ 371,218</u>	<u>\$ 782,210</u>	<u>(8,032,488)</u>	<u>(143,903)</u>	<u>(8,176,391)</u>
GENERAL REVENUES							
Taxes:							
Property					2,694,393	-	2,694,393
Fuel					408,996	-	408,996
Infrastructure Surtax					1,532,082	-	1,532,082
Utility and Communication Services					1,345,450	-	1,345,450
Other					80,386	-	80,386
Franchise Fees					755,767	-	755,767
Unrestricted Intergovernmental Revenue					1,136,227	-	1,136,227
Investment Earnings					554,862	736,249	1,291,111
Insurance Recoveries					140,473	587	141,060
Gain on Sale of Capital Assets					-	-	-
Miscellaneous					94,029	-	94,029
Transfers					1,597,448	(1,597,448)	-
Total General Revenues and Transfers					<u>10,340,113</u>	<u>(860,612)</u>	<u>9,479,501</u>
CHANGE IN NET POSITION					2,307,625	(1,004,515)	1,303,110
Net Position - Beginning of Year					<u>27,384,343</u>	<u>39,726,622</u>	<u>67,110,965</u>
NET POSITION - END OF YEAR					<u>\$ 29,691,968</u>	<u>\$ 38,722,107</u>	<u>\$ 68,414,075</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024**

ASSETS	General	Infrastructure	CRA	CDBG	Total Governmental Funds
Equity in Pooled Cash and Cash					
Equivalents	\$ 10,616,531	\$ 8,427,488	\$ 2,139,116	\$ -	\$ 21,183,135
Receivables, Net	103,694	-	-	-	103,694
Leases Receivables	579,238	-	-	-	579,238
Due from Other Governments	227,366	260,463	-	384,475	872,304
Due from Other Funds	746,994	-	-	-	746,994
Prepaid Items	1,009	-	-	-	1,009
Advances to Other Funds	168,696	-	-	-	168,696
	<u>\$ 12,443,528</u>	<u>\$ 8,687,951</u>	<u>\$ 2,139,116</u>	<u>\$ 384,475</u>	<u>\$ 23,655,070</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued					
Liabilities	\$ 342,164	\$ 1,960,880	\$ 16,996	\$ 59,456	\$ 2,379,496
Due to Other Funds	10,000	-	-	224,510	234,510
Unearned Revenue	15,343	-	-	-	15,343
Total Liabilities	<u>367,507</u>	<u>1,960,880</u>	<u>16,996</u>	<u>283,966</u>	<u>2,629,349</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	17,310	-	-	384,475	401,785
Lease Related	529,602	-	-	-	529,602
Total Deferred Inflows of Resources	<u>546,912</u>	<u>-</u>	<u>-</u>	<u>384,475</u>	<u>931,387</u>
FUND BALANCES					
Nonspendable:					
Prepaid Items	1,009	-	-	-	1,009
Advances to Other Fund	168,696	-	-	-	168,696
Restricted for:					
Law Enforcement	23,687	-	-	-	23,687
Bouis Fountain	6,482	-	-	-	6,482
Infrastructure	-	6,727,071	-	-	6,727,071
Community Redevelopment	-	-	2,122,120	-	2,122,120
Committed for Compensated Absences	226,613	-	-	-	226,613
Assigned for Capital Improvements	275,000	-	-	-	275,000
Unassigned	10,827,622	-	-	(283,966)	10,543,656
Total Fund Balances	<u>11,529,109</u>	<u>6,727,071</u>	<u>2,122,120</u>	<u>(283,966)</u>	<u>20,094,334</u>
	<u>\$ 12,443,528</u>	<u>\$ 8,687,951</u>	<u>\$ 2,139,116</u>	<u>\$ 384,475</u>	<u>\$ 23,655,070</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances					

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, 2024

Fund Balances - Total Government Funds		\$ 20,094,334
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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.		401,785
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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	\$ 2,778,334	
Deferred Inflows of Resources - Pension Related	<u>(338,905)</u>	
		2,439,429

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

Deferred Outflows of Resources - OPEB Related	46,935	
Deferred Inflows of Resources - OPEB Related	<u>(120,639)</u>	
		(73,704)

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

Cost of Capital Assets	24,294,018	
Accumulated Depreciation	<u>(12,730,268)</u>	
		11,563,750

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

OPEB Liability	(137,258)	
Compensated Absences	(226,613)	
Net Pension Liability	<u>(4,369,755)</u>	
		<u>(4,733,626)</u>

Net Position of Governmental Activities		<u><u>\$ 29,691,968</u></u>
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CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2024

	General	Infrastructure	CRA	CDBG	Total Governmental Funds
REVENUES					
Taxes	\$ 3,899,336	\$ 1,532,082	\$ 629,889	\$ -	\$ 6,061,307
Charges for Services	12,095	-	-	-	12,095
Permits, Fees, and Special					
Assessment	1,497,762	-	-	-	1,497,762
Intergovernmental	1,528,514	-	-	242,958	1,771,472
Fines and Forfeitures	55,703	-	-	-	55,703
Investment Earnings	420,387	134,476	-	-	554,863
Miscellaneous	155,560	-	-	-	155,560
Total Revenues	<u>7,569,357</u>	<u>1,666,558</u>	<u>629,889</u>	<u>242,958</u>	<u>10,108,762</u>
EXPENDITURES					
Current:					
General Government	989,869	-	-	-	989,869
Public Safety	5,240,098	-	-	-	5,240,098
Transportation	1,059,991	-	-	-	1,059,991
Culture and Recreation	538,777	-	-	-	538,777
Economic Environment	-	-	218,821	31,414	250,235
Capital Outlay	752,147	3,217,200	-	153,634	4,122,981
Total Expenditures	<u>8,580,882</u>	<u>3,217,200</u>	<u>218,821</u>	<u>185,048</u>	<u>12,201,951</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,011,525)	(1,550,642)	411,068	57,910	(2,093,189)
OTHER FINANCING SOURCES (USES)					
Insurance Proceeds	140,473	-	-	-	140,473
Transfers In	1,597,448	-	-	-	1,597,448
Total Other Financing Sources	<u>1,737,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,737,921</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	726,396	(1,550,642)	411,068	57,910	(355,268)
Fund Balances (Deficits) - Beginning of Year	<u>10,802,713</u>	<u>8,277,713</u>	<u>1,711,052</u>	<u>(341,876)</u>	<u>20,449,602</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 11,529,109</u>	<u>\$ 6,727,071</u>	<u>\$ 2,122,120</u>	<u>\$ (283,966)</u>	<u>\$ 20,094,334</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024**

Net Change in Fund Balances - Total Government Funds	\$	(355,268)
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Amounts Reported for Governmental Activities in the Statement of Net Position are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		999
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Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension asset or liability is measured for the police and fire pension plans and for the FRS and HIS plans, a year and three months, respectively, before the City's report date. Pension expense, which is the change in net pension liability adjusted for changes in deferred outflows and inflows related to pension, is reported in the statement of activities.

Adjustments to Pension Expense		(457,702)
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Governmental funds report capital outlays as expenditures. However in the statement of activities, some of these expenditures are capitalized and depreciated over their estimated useful lives.

Expenditures for Capital Assets that were Capitalized	\$ 3,936,717	
Depreciation Expense	(841,775)	
Less: Net Book Value of Disposed Assets	<u>(15,332)</u>	
		3,079,610

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

OPEB Liability	(9,988)	
Compensated Absences	<u>49,974</u>	
		<u>39,986</u>

Changes in Net Position of Governmental Activities	\$	<u><u>2,307,625</u></u>
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CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 3,501,250	\$ 3,526,240	\$ 3,899,336	\$ 373,096
Charges for Services	9,470	9,470	12,095	2,625
Permits, Fees, and Special				
Assessments	1,820,360	1,820,360	1,497,762	(322,598)
Intergovernmental	2,312,270	2,423,270	1,528,514	(894,756)
Fines and Forfeitures	41,500	41,500	55,703	14,203
Investment Earnings	601,200	601,200	420,387	(180,813)
Miscellaneous	82,200	178,750	155,560	(23,190)
Total Revenues	8,368,250	8,600,790	7,569,357	(1,031,433)
EXPENDITURES				
General Government:				
City Council	82,550	82,550	61,641	20,909
City Manager	522,900	522,900	517,196	5,704
Finance	87,190	87,190	69,810	17,380
Legal Counsel	147,090	147,090	120,696	26,394
Other Governmental Services	632,839	632,839	489,961	142,878
Public Safety:				
Police	2,734,450	2,734,450	2,733,863	587
Fire	2,371,210	2,371,210	2,197,597	173,613
Code Enforcement	393,820	393,820	257,281	136,539
Planning and Zoning	57,800	57,800	57,585	215
Transportation:				
Street	1,811,540	1,811,540	1,292,484	519,056
Culture/Recreation:				
Parks	1,545,128	1,545,128	615,079	930,049
Recreation	136,590	136,590	124,109	12,481
Community Center	45,380	45,380	43,580	1,800
Total Expenditures	10,568,487	10,568,487	8,580,882	1,987,605
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,200,237)	(1,967,697)	(1,011,525)	956,172
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	2,000	2,000	140,473	138,473
Transfers In	1,598,540	1,598,540	1,597,448	(1,092)
Transfers out	(475,570)	(475,570)	-	475,570
Total Other Financing Sources	1,124,970	1,124,970	1,737,921	612,951
NET CHANGE IN FUND BALANCE	(1,075,267)	(842,727)	726,396	1,569,123
Fund Balance - Beginning of Year	1,075,267	842,727	10,802,713	9,959,986
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,529,109</u>	<u>\$ 11,529,109</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
INFRASTRUCTURE FUND
YEAR ENDED SEPTEMBER 30, 2024**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,532,082	\$ (67,918)
Investment Earnings	-	-	134,476	134,476
Total Revenues	1,600,000	1,600,000	1,666,558	66,558
EXPENDITURES				
General Government:				
Other Governmental Services	119,995	119,995	97,157	22,838
Public Safety:				
Police	208,540	208,540	208,521	19
Fire	2,281,934	2,281,934	2,234,159	47,775
Transportation:				
Street	1,479,135	1,479,135	677,363	801,772
Culture/Recreation:				
Parks	800,000	800,000	-	800,000
Total Expenditures	4,889,604	4,889,604	3,217,200	1,672,404
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,289,604)	(3,289,604)	(1,550,642)	1,738,962
Fund Balance - Beginning of Year	3,289,604	3,289,604	8,277,713	4,988,109
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,727,071</u>	<u>\$ 6,727,071</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
CDBG FUND
YEAR ENDED SEPTEMBER 30, 2024**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 750,000	\$ 813,100	\$ 242,958	\$ (570,142)
EXPENDITURES				
Economic Environment	553,890	553,890	31,414	522,476
Capital Outlay	1,480,721	1,480,721	153,634	1,327,087
Total Expenditures	<u>2,034,611</u>	<u>2,034,611</u>	<u>185,048</u>	<u>1,849,563</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	(1,284,611)	(1,221,511)	57,910	1,279,421
Fund Balance (Deficit) - Beginning of Year	<u>1,284,611</u>	<u>1,221,511</u>	<u>(341,876)</u>	<u>(1,563,387)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (283,966)</u>	<u>\$ (283,966)</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, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 598,840	\$ 598,840	\$ 629,889	\$ 31,049
EXPENDITURES				
Economic Environment:				
Main Street	1,119,750	1,119,750	166,078	953,672
South Side	430,435	430,435	52,019	378,416
Airport	145,640	145,640	724	144,916
Total Expenditures	<u>1,695,825</u>	<u>1,695,825</u>	<u>218,821</u>	<u>1,477,004</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,096,985)	(1,096,985)	411,068	1,508,053
Fund Balance - Beginning of Year	<u>1,096,985</u>	<u>1,096,985</u>	<u>1,711,052</u>	<u>614,067</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,122,120</u>	<u>\$ 2,122,120</u>

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
ASSETS				
Current Assets:				
Equity in Pooled Cash and Cash				
Equivalents	\$ 12,794,535	\$ -	\$ -	\$ 12,794,535
Receivables, Net	1,031,767	90,458	69,230	1,191,455
Leases Receivable - Current	-	29,622	-	29,622
Due from Other Governments	4,793	165,359	-	170,152
Due from Other Funds	-	10,000	-	10,000
Inventories	215,118	26,382	-	241,500
Total Current Assets	14,046,213	321,821	69,230	14,437,264
Noncurrent Assets:				
Equity in Pooled Cash and Cash				
Equivalents Restricted for Impact Fees and Grants	960,563	-	-	960,563
Lease Receivable - Noncurrent	-	1,626,846	-	1,626,846
Advance to Other Funds	-	-	336,308	336,308
Capital Assets:				
Land	1,648,740	700,467	-	2,349,207
Building and System	33,964,371	18,753,560	1,855	52,719,786
Equipment	6,564,559	354,982	2,769,150	9,688,691
Construction in Progress	339,558	240,726	-	580,284
Accumulated Depreciation and Amortization	(25,779,956)	(9,540,973)	(2,217,568)	(37,538,497)
Capital Assets, Net of				
Accumulated Depreciation and Amortization	16,737,272	10,508,762	553,437	27,799,471
Total Noncurrent Assets	17,697,835	12,135,608	889,745	30,723,188
Total Assets	31,744,048	12,457,429	958,975	45,160,452
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	448,766	-	223,539	672,305
Deferred Outflows Related to OPEB	34,612	-	16,110	50,722
Total Deferred Outflows of Resources	483,378	-	239,649	723,027

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 419,190	\$ 75,619	\$ 100,925	\$ 595,734
Current Portion - Loans Payable	1,298	-	-	1,298
Due to Other Funds	-	179,136	343,348	522,484
Compensated Absences	59,766	-	53,854	113,620
Deposits	1,423,309	45,645	-	1,468,954
Total Current Liabilities	1,903,563	300,400	498,127	2,702,090
Noncurrent Liabilities:				
Advances from Other Funds	-	505,004	-	505,004
Long-Term Portion - Loans Payable	22,059	-	-	22,059
Total OPEB Liability	101,225	-	47,115	148,340
Net Pension Liability	1,234,692	-	615,022	1,849,714
Total Noncurrent Liabilities	1,357,976	505,004	662,137	2,525,117
Total Liabilities	3,261,539	805,404	1,160,264	5,227,207
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	125,757	-	62,641	188,398
Deferred Inflows Related to OPEB	88,965	-	41,409	130,374
Deferred Inflows Related to Leases	-	1,615,393	-	1,615,393
Total Deferred Inflows of Resources	214,722	1,615,393	104,050	1,934,165
NET POSITION				
Net Investment in Capital Assets	16,687,317	10,504,787	553,437	27,745,541
Restricted	960,563	-	-	960,563
Unrestricted	11,103,285	(468,155)	(619,127)	10,016,003
Total Net Position	\$ 28,751,165	\$ 10,036,632	\$ (65,690)	\$ 38,722,107

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, 2024

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
OPERATING REVENUES				
Charges for Services	\$ 6,039,329	\$ 339,039	\$ 1,374,567	\$ 7,752,935
Sales of Fuel	-	128,615	-	128,615
Miscellaneous	22,608	15,937	8,497	47,042
Total Operating Revenues	6,061,937	483,591	1,383,064	7,928,592
OPERATING EXPENSES				
Personal Services	2,123,273	-	1,160,854	3,284,127
Materials, Supplies, Services, and Other				
Operating Expenses	1,987,229	678,837	791,194	3,457,260
Depreciation and Amortization	1,076,717	669,789	219,549	1,966,055
Total Operating Expenses	5,187,219	1,348,626	2,171,597	8,707,442
OPERATING INCOME (LOSS)	874,718	(865,035)	(788,533)	(778,850)
NONOPERATING REVENUES				
Investment Earnings	647,956	50,172	38,121	736,249
Gain (Loss) from Sale of Capital Assets	(4,508)	-	-	(4,508)
Insurance Recoveries	-	-	587	587
Total Nonoperating Revenues	643,448	50,172	38,708	732,328
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,518,166	(814,863)	(749,825)	(46,522)
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital Grants	4,793	284,219	-	289,012
Capital Contributions - Impact Fees and Capital Contributions	350,443	-	-	350,443
Transfers In	-	-	1,757	1,757
Transfers Out	(1,596,530)	(2,675)	-	(1,599,205)
Total Capital Contributions and Transfers	(1,241,294)	281,544	1,757	(957,993)
CHANGES IN NET POSITION	276,872	(533,319)	(748,068)	(1,004,515)
Total Net Position - Beginning of Year	28,474,293	10,569,951	682,378	39,726,622
TOTAL NET POSITION - END OF YEAR	<u>\$ 28,751,165</u>	<u>\$ 10,036,632</u>	<u>\$ (65,690)</u>	<u>\$ 38,722,107</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2024**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 5,891,348	\$ 321,007	\$ 1,374,708	\$ 7,587,063
Cash Paid to Suppliers	(1,820,502)	(734,192)	(798,223)	(3,352,917)
Cash Paid to Employees	(2,067,646)	-	(1,134,946)	(3,202,592)
Net Cash Provided (Used) by Operating Activities	2,003,200	(413,185)	(558,461)	1,031,554
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) Other Funds	(1,596,530)	-	-	(1,596,530)
Advance from (to) Other Funds	-	(116,283)	360,257	243,974
Net Cash Provided (Used) by Noncapital Financing Activities	(1,596,530)	(116,283)	360,257	(1,352,556)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(629,430)	(184,073)	(74,485)	(887,988)
Proceeds from Capital Grants	-	634,621	-	634,621
Proceeds from Insurance Claim	-	-	587	587
Principal paid on notes and bonds	(200)	-	-	(200)
Receipts from Leasing Activities	-	28,748	-	28,748
Impact Fees Received	350,443	-	-	350,443
Net Cash Provided (Used) by Capital and Related Financing Activities	(279,187)	479,296	(73,898)	126,211
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of Interest	647,956	50,172	38,121	736,249
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	775,439	-	(233,981)	541,458
Equity in Pooled Cash and Cash Equivalents - Beginning of Year	12,979,659	-	233,981	13,213,640
EQUITY IN POOLED CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,755,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,755,098</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Equity in Pooled Cash and Cash Equivalents	\$ 12,794,535	\$ -	\$ -	\$ 12,794,535
Equity in Pooled Cash and Cash Equivalents Restricted for Impact Fees	960,563	-	-	960,563
EQUITY IN POOLED CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,755,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,755,098</u>

See accompanying Notes to Financial Statements.

CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 874,718	\$ (865,035)	\$ (788,533)	\$ (778,850)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	1,076,717	669,789	219,549	1,966,055
Changes in Certain Assets, Deferred Outflows Liabilities, and Deferred Inflows:				
Accounts Receivable	(242,025)	(59,454)	(8,356)	(309,835)
Inventories and Prepaids	-	20,420	-	20,420
Deferred Outflows of Resources	(60,996)	-	(29,253)	(90,249)
Accounts Payable and Accrued Liabilities	166,727	(75,775)	(7,029)	83,923
Compensated Absences	13,864	-	5,830	19,694
Deposits	71,436	(4,863)	-	66,573
Other Postemployment Benefits	42,155	-	19,241	61,396
Net Pension Liability	21,973	-	10,945	32,918
Deferred Inflows of Resources	38,631	(98,267)	19,145	(40,491)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,003,200</u>	<u>\$ (413,185)</u>	<u>\$ (558,461)</u>	<u>\$ 1,031,554</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2024**

	Pension Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 359,644
Receivables:	
Sale of Investments	4,124
Brokerage Transactions	895
Accrued Income	22,961
Total Receivables	<u>27,980</u>
Investments, at Fair Market Value:	
Fixed Income Mutual Funds	2,363,953
U.S. Government and Agencies	870,148
Corporate and Foreign Bonds	793,531
Equity Securities and Mutual Funds	10,072,417
Real Estate Investment Fund	1,104,383
Total Investments	<u>15,204,432</u>
Total Assets	15,592,056
LIABILITIES	
Accounts Payable	52,868
Advanced Contribution From Employer	22,507
Total Liabilities	<u>75,375</u>
FIDUCIARY NET POSITION	
Restricted for:	
Pension	15,516,681
Total Fiduciary Net Position	<u><u>\$ 15,516,681</u></u>

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, 2024

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
City	\$ 556,102
Plan Members	56,090
State of Florida	64,990
Total Contributions	<u>677,182</u>
Investment Income (Loss)	2,824,159
Less Investment Expenses:	
Investment Management Fees	19,627
Custodial Fees	7,284
Performance Evaluation Fees	35,000
Total Investment Expenses	<u>61,911</u>
Net Investment Income (Loss)	<u>2,762,248</u>
Total Additions	3,439,430
DEDUCTIONS	
Administrative Expenses	145,739
Payments to Retirees and Participants	891,139
Total Deductions	<u>1,036,878</u>
CHANGE IN NET POSITION	2,402,552
Net Position Restricted for Pension - Beginning of Year	<u>13,114,129</u>
NET POSITION RESTRICTED FOR PENSION - END OF YEAR	<u><u>\$ 15,516,681</u></u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Avon Park, Florida (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, 2024**

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, 2024**

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, 2024**

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, 2024

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, 2024**

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 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 CDBG 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Reconciliation of Government-Wide and Fund Financial Statements

The “net change in fund balances” for governmental funds, an decrease of \$598,226, differs from the “change in net position” for governmental activities, an increase of \$2,307,625, 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 \$-0- and \$1,757, respectively, were eliminated. Amounts due to and due from between governmental activities and business-type activities of \$224,510 and \$522,484, respectively, were eliminated. In addition, advances to and advances from between governmental and business-type activities in the amount of \$-0- and \$505,004, 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, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventories

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

J. Prepaid Items

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

K. 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.

L. 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, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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

M. Unearned Revenues

Unearned Revenue arises only when the City receives resources before it has a legal claim to them.

The unearned revenue will be recognized as revenues in the fiscal year in which they are earned.

N. Compensated Absences

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

- General government employees will be paid up to a maximum of twice the employee's annual accrual
- Police officers will be paid up to a maximum of 240 hours
- Firefighters will be paid up to a maximum of 480 hours
- City manager and department heads are not limited and will be paid in full unless under a contractual agreement. The maximum paid at separation of service in accordance with those contracts ranges from 500 to 700 hours

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences (Continued)

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, 2024, 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.

O. 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.

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 60 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, OPEB, and leases, are reported in a subsequent note.

P. 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, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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.

R. 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.

S. Property Tax Revenues

Ad valorem taxes for the current fiscal year (beginning October 1, 2023) were assessed on July 1, 2023 based on property values of January 1, 2023. The taxes were billed in the month of November 2023 by the Highlands County Tax Collector who remits collected taxes to the City monthly.

Taxes were due November 1, 2023 (levy date) and became delinquent April 1, 2024. Tax certificates were issued for delinquent taxes by June 1, 2024 (lien date). Generally, the City collects substantially all of its current year property taxes during the year in which they are due.

T. 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.

U. 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, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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.

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

V. 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.

W. Governmental Fund Balances

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, 2024

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	\$ 33,061,947
Cash on Hand	2,000
Investments	<u>17,438,362</u>
Total	<u><u>\$ 50,502,309</u></u>

Statement of Net Position:	
Equity in Pooled Cash and Cash Equivalents	\$ 33,977,670
Restricted Equity in Pooled Cash and Cash Equivalents	960,563
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	359,644
Investments	<u>15,204,432</u>
Total	<u><u>\$ 50,502,309</u></u>

Fair Value. The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets. The City had the following fair value measurements as of September 30, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
Fixed Income Mutual Funds	\$ 2,363,953	\$ 2,363,953	\$ -	\$ -
U.S. Government and Agencies	870,148	-	870,148	-
Corporate and Foreign Bonds	793,531	-	793,531	-
Equity Securities and Equity Mutual Funds	<u>10,072,417</u>	<u>10,072,417</u>	<u>-</u>	<u>-</u>
Total Investments Measured at Fair Value	14,100,049	<u><u>\$ 12,436,370</u></u>	<u><u>\$ 1,663,679</u></u>	<u><u>\$ -</u></u>
Investments Measured at Net Asset Value:				
Real Estate Investment Fund	1,104,383			
Investments Measured at Amortized Cost:				
SBA Florida PRIME	<u>2,233,930</u>			
Total Investments	<u><u>\$ 17,438,362</u></u>			

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024, the City had the following investments in debt securities and related maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Governmental and Business-					
Type Activities:					
SBA Florida PRIME	\$ 2,233,930	\$ 2,233,930	\$ -	\$ -	\$ -
Fiduciary:					
Fixed Income Mutual Funds	2,363,953	39	496,044	1,817,232	50,638
U.S. Government and Agencies	870,148	-	31,201	151,934	687,013
Corporate and Foreign Bonds	793,531	-	38,694	378,551	376,286
Total Fair Value	<u>\$ 6,261,562</u>	<u>\$ 2,233,969</u>	<u>\$ 565,939</u>	<u>\$ 2,347,717</u>	<u>\$ 1,113,937</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, 2024 for each type of investment in debt securities.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

S&P Rating	Market Value
Governmental and Business-Type Activities:	
AAAm	\$ 2,233,930
Fiduciary:	
Not Rated	2,541,263
AAA to A-	970,044
BBB+ to BBB	493,789
Below B	22,536
Total	<u>\$ 6,261,562</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.

Concentration of Investment Risk. Concentration of investment risk is the risk of losses that may occur from having a large portion of the City's holdings in a particular investment relative to the overall portfolio. GASB Statement 40 and GASB Statement 67 require disclosure of investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represents 5% or more of total investments or fiduciary net position. At September 30, 2024, the City and the Police Retirement System did not hold investments in any one organization that exceeded the threshold. At September 30, 2024, investment in the following mutual funds represented more than 5% of the Firefighters' Retirement System's net position:

<u>Investment Fund</u>	<u>% of Plan Net Position</u>
JP Morgan Equity Income Fund	9.68 %
MFS Growth Fund	8.66 %
Vanguard 500 Index Fund	20.47 %
Vanguard Extended Market Index Fund	7.52 %
Delaware Small Cap Core Fund	6.85 %
American Funds Europacific Growth Fund	15.17 %
American Core Property Funds	6.84 %

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

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

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

The City invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the state of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2024, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 27.90% of the Florida PRIME's portfolio at September 30, 2024.

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, 2024 was 39 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, 2024 was 74 days. Investments in Florida PRIME must carry an "AAAm" rating from *Standard and Poor's*. On September 30, 2024, *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.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

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, 2024, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3 RECEIVABLES

Receivables as of September 30, 2024 for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities			
	General	Water and Sewer	Airport	Solid Waste	Total
Utility and Franchise Taxes	\$ 126,941	\$ -	\$ -	\$ -	\$ 126,941
Customer Charges	-	1,409,731	98,456	114,095	1,622,282
Gross Receivables	126,941	1,409,731	98,456	114,095	1,749,223
Allowance for Doubtful Accounts	(23,247)	(377,964)	(7,998)	(44,865)	(454,074)
Total	<u>\$ 103,694</u>	<u>\$ 1,031,767</u>	<u>\$ 90,458</u>	<u>\$ 69,230</u>	<u>\$ 1,295,149</u>

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Governmental Activities:</u>					
Capital Assets, Not Being Depreciated/Amortized:					
Land	\$ 403,202	\$ -	\$ (15,332)	\$ -	\$ 387,870
Construction in Progress	3,000	2,136,013	-	-	2,139,013
Total Capital Assets, Not Being Depreciated/Amortized	406,202	2,136,013	(15,332)	-	2,526,883
Capital Assets, Being Depreciated/Amortized:					
Buildings and Systems	7,057,729	542,096	-	-	7,599,825
Equipment	4,414,842	698,649	(393,437)	(30,513)	4,689,541
Infrastructure	8,917,810	559,959	-	-	9,477,769
Total Capital Assets Being Depreciated/Amortized	20,390,381	1,800,704	(393,437)	(30,513)	21,767,135
Less: Accumulated Depreciation/ Amortization for:					
Buildings and Systems	(4,806,627)	(210,345)	-	-	(5,016,972)
Equipment	(3,493,477)	(292,473)	393,437	30,513	(3,362,000)
Infrastructure	(4,012,339)	(338,957)	-	-	(4,351,296)
Total Accumulated Depreciation/Amortization	<u>(12,312,443)</u>	<u>(841,775)</u>	<u>393,437</u>	<u>30,513</u>	<u>(12,730,268)</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>8,077,938</u>	<u>958,929</u>	<u>-</u>	<u>-</u>	<u>9,036,867</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,484,140</u>	<u>\$ 3,094,942</u>	<u>\$ (15,332)</u>	<u>\$ -</u>	<u>\$ 11,563,750</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Business-Type Activities:</u>					
Capital Assets, Not Being Depreciated/Amortized:					
Land	\$ 2,349,207	\$ -	\$ -	\$ -	\$ 2,349,207
Construction in Progress	3,057,537	246,023	-	(2,723,276)	580,284
Total Capital Assets, Not Being Depreciated/Amortized	5,406,744	246,023	-	(2,723,276)	2,929,491
Capital Assets, Being Depreciated/Amortized:					
Buildings and Systems	49,624,493	372,017	-	2,723,276	52,719,786
Equipment	9,423,251	234,990	(1,000)	31,450	9,688,691
Total Capital Assets Being Depreciated/Amortized	59,047,744	607,007	(1,000)	2,754,726	62,408,477
Less: Accumulated Depreciation/ Amortization for:					
Buildings and Systems	(28,933,651)	(1,360,352)	-	-	(30,294,003)
Equipment	(6,638,791)	(574,253)	-	(31,450)	(7,244,494)
Total Accumulated Depreciation/Amortization	(35,572,442)	(1,934,605)	-	(31,450)	(37,538,497)
Total Capital Assets, Being Depreciated/Amortized, Net	23,475,302	(1,327,598)	(1,000)	2,723,276	24,869,980
Business-Type Activities Capital Assets, Net	<u>\$ 28,882,046</u>	<u>\$ (1,081,575)</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ 27,799,471</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 115,575
Public Safety	168,502
Transportation	380,725
Culture and Recreation	176,973
Total Depreciation	<u>\$ 841,775</u>
<u>Business-Type Activities:</u>	
Water and Sewer	\$ 1,076,717
Airport	669,789
Solid Waste	219,549
Total Depreciation and Amortization Expense	<u>\$ 1,966,055</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 5 COMMITMENTS

Construction Commitments

At September 30, 2024, the City had the following construction commitments:

Governmental Activities:	
General Fund	\$ 204,346
Infrastructure Fund	384,864
CDBG Fund	583,250
CRA Fund	11,545
Total	<u>\$ 1,184,005</u>
Business-Type Activities:	
Airport Fund	26529
Water and Sewer Fund	92,907
Solid Waste Fund	3,679
Total	<u>\$ 123,115</u>

NOTE 6 LONG-TERM LIABILITIES

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2024 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Compensated Absences	\$ 276,587	\$ 200,384	\$ 250,358	\$ 226,613	\$ 192,600
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 276,587</u>	<u>\$ 200,384</u>	<u>\$ 250,358</u>	<u>\$ 226,613</u>	<u>\$ 192,600</u>
Business-Type Activities:					
Compensated Absences	\$ 93,926	\$ 160,248	\$ 140,554	\$ 113,620	\$ 113,620
Direct Borrowing: Loans Payable	23,557	-	200	23,357	1,298
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 117,483</u>	<u>\$ 160,248</u>	<u>\$ 140,754</u>	<u>\$ 136,977</u>	<u>\$ 114,918</u>

For governmental activities, compensated absences are liquidated by the General Fund.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize the debt outstanding at September 30, 2024 are as follows:

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>		
	<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,298	\$ -	\$ 1,298
2026	1,298	-	1,298
2027	1,298	-	1,298
2028	1,298	-	1,298
2029	1,298	-	1,298
2030-2034	6,488	-	6,488
2035-2039	6,488	-	6,488
2040-2042	3,891	-	3,891
Total	<u>\$ 23,357</u>	<u>\$ -</u>	<u>\$ 23,357</u>

Direct Borrowing – State Revolving Fund Loans

The City has a State Revolving Fund loan with a total balance of \$23,357 at 0% interest. Semi-annual principal payments of \$649 are due March 2023 through September 2042. The loan will be used for wastewater projects. The loan is secured by pledged revenue of the water and wastewater system. In event of default, the timing of repayment of outstanding balances may be accelerated, or the financing rate on the unpaid balance of the loan may be increased as much as 1.667 times the financing rate.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Benefits Provided

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

At September 30, 2024, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	3
Active Plan Members	101
Total	<u>104</u>

Total OPEB Liability

The City's Total OPEB liability was measured as of September 30, 2024 and was determined by an actuarial valuation as of October 1, 2023, rolled forward to the measurement date of September 30, 2024. The following table shows the City's total OPEB liability for the year ended September 30, 2024.

	Total OPEB Liability
Balance - October 1, 2023	\$ 158,400
Changes for the Year:	
Service Cost	25,745
Interest	6,062
Changes in Assumptions	106,535
Differences Between Expected and Actual Experience	-
Benefit Payments	<u>(11,144)</u>
Net Changes	<u>127,198</u>
Balance - September 30, 2024	<u>\$ 285,598</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	2.97 %	3.97 %	4.97 %
Total OPEB Liability	\$ 309,128	\$ 285,598	\$ 264,144

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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	\$ 260,690	\$ 285,598	\$ 315,249

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

For the year ended September 30, 2024, the City recognized OPEB expense (benefit) of (\$1,266). At September 30, 2024, 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	\$ 97,657	\$ 251,013
Total	\$ 97,657	\$ 251,013

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>
2024	\$ (30,546)
2025	(30,545)
2026	(27,784)
2027	(25,197)
2028	(25,199)
Thereafter	(14,085)

Actuarial Assumptions

The total OPEB liability in the October 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Healthcare Cost Trend Rates	Initial rate of 7.0% in October 1, 2022, then gradually decreasing to an ultimate trend rate of 4.5% in October 1, 2036, and later

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions (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-2021 Improvement Scale. The discount rate used to measure the total OPEB liability was 3.97%, based on the average of three 20-year bond indices.

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 officials and employment practices liability, automobile, crime, and workers' 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.

The City carries commercial insurance coverage to insure City employees' health and life insurance costs. The City does not retain any risk of loss under these policies.

There is no significant reduction in insurance coverage from the prior year. The insurance settlements have not exceeded the City's insurance coverage in any of the prior three fiscal years.

NOTE 9 INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2024 were as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund:</u>			
	<u>General Fund</u>	<u>CDBG</u>	<u>Solid Waste</u>	<u>Airport</u>
General Fund	\$ -	\$ 224,510	\$ 343,348	\$ 179,136
Airport	10,000	-	-	-
Total	<u>\$ 10,000</u>	<u>\$ 224,510</u>	<u>\$ 343,348</u>	<u>\$ 179,136</u>
				<u>\$ 756,994</u>

Amounts due to and from other funds arise from timing differences as a result of transactions and cash transfers for operating purposes.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 9 INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>
	<u>Airport Fund</u>
General Fund	\$ 168,696
Solid Waste Fund	336,308
Total	<u>\$ 505,004</u>

The General Fund has an outstanding advance to the Airport Fund of \$168,696 at year-end. This advance was used 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 \$336,308 is a result of prior years' operating losses.

NOTE 10 TRANSFERS

Transfers during the year ended September 30, 2024 consisted of the following:

<u>Transfer Out</u>	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Solid Waste</u>	<u>Total</u>
Water and Sewer	\$ 1,596,530	\$ -	\$ 1,596,530
Airport	918	1,757	2,675
Total	<u>\$ 1,597,448</u>	<u>\$ 1,757</u>	<u>\$ 1,599,205</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, 2024 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 FUND BALANCE RESTRICTIONS (CONTINUED)

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.

NOTE 13 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 the City Council.

Plan Membership – As of October 1, 2022, the members of the PORS consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	20
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>7</u>
Total	<u><u>27</u></u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

General Information about the PORS (Continued)

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.

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 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. Administrative costs for each plan are financed through investment earnings. The City's required contribution, for the year ended September 30, 2024 was \$142,444. Actual contributions for the year equaled \$142,444 or 100% of the required contributions.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at the measurement date were as follows:

Total Pension Liability	\$ 7,188,450
Plan Fiduciary Net Position	<u>(5,759,749)</u>
Net Pension Liability	<u><u>\$ 1,428,701</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.13%
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Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2022 updated to September 30, 2023 using the following actuarial assumptions applied to all measurement periods.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

Net Pension Liability (Continued)

Inflation	2.50 %
Discount Rate	7.00 %
Investment Rate of Return	7.00 %

Assumed rates of mortality were based on the PubS.H-2010 Table.

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, 2023 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%. 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, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances - September 30, 2022	\$ 7,167,606	\$ 5,703,256	\$ 1,464,350
Changes for the Year:			
Interest	484,917	-	484,917
Differences Between Expected and Actual Experience	16,287	-	16,287
Contributions - Employer	-	34,916	(34,916)
Net Investment Income	-	561,709	(561,709)
Benefit Payments, Including Refunds of Employee Contributions	(480,360)	(485,607)	5,247
Administrative Expense	-	(54,525)	54,525
Net Changes	20,844	56,493	(35,649)
Balances - September 30, 2023	<u>\$ 7,188,450</u>	<u>\$ 5,759,749</u>	<u>\$ 1,428,701</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%, 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%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's Net Pension (Asset) Liability	\$ 2,334,271	\$ 1,428,701	\$ 678,497

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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

Net Pension Liability (Continued)

Deferred Outflows and Inflows of Resources Related to PORS – For the year ended September 30, 2024, the City recognized a pension expense of \$352,458. On September 30, 2024, 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 Earnings on Pension Plan Investments	\$ 491,727	\$ -
City and State Contributions Subsequent to the Measurement Date	142,444	-
Total	<u>\$ 634,171</u>	<u>\$ -</u>

The deferred outflows of resources related to the PORS, totaling \$142,444 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, 2025. 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>
2025	\$ 119,349
2026	121,944
2027	286,464
2024	(36,030)

Payables to PORS Pension Plan – At September 30, 2024, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2024.

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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Firefighters Retirement System (FFRS) (Continued)

General Information about the FFRS (Continued)

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 the City Council.

Plan Membership – As of October 1, 2022, 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	3
Active Plan Members	19
Total	<u>35</u>

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 15 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.

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, 2024 was \$468,104. Actual contributions for the year equaled \$479,564, or 102% of the required contributions.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined as of that date.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Firefighters' Retirement System (FFRS) (Continued)

Net Pension Liability (Continued)

The components of the net pension liability of the City at the measurement date were as follows:

Total Pension Liability	\$ 9,371,142
Plan Fiduciary Net Position	(7,354,380)
Net Pension Liability	<u>\$ 2,016,762</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.48%
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Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2022 updated to September 30, 2023 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	Service Based
Discount Rate	7.00%
Investment Rate of Return	7.00%

Assumed rates of mortality were based on the PubS.H-2010 table.

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, 2024 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	<u>100.00 %</u>	

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Firefighters' Retirement System (FFRS) (Continued)

Net Pension Liability (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7%. 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.

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 - September 30, 2022	\$ 8,906,530	\$ 7,061,152	\$ 1,845,378
Changes for the Year:			
Service Cost	268,786	-	268,786
Interest	615,631	-	615,631
Share Plan Allocation	8,424	-	8,424
Differences Between Expected and Actual Experience	332,933	-	332,933
Contributions - Employer	-	329,288	(329,288)
Contributions - State	-	60,750	(60,750)
Contributions - Employee	-	56,319	(56,319)
Net Investment Income	-	676,565	(676,565)
Benefit Payments, Including Refunds of Employee Contributions	(761,162)	(761,162)	-
Administrative Expense	-	(68,532)	68,532
Net Changes	464,612	293,228	171,384
Balances - September 30, 2023	<u>\$ 9,371,142</u>	<u>\$ 7,354,380</u>	<u>\$ 2,016,762</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%, 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%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's Net Pension (Asset) Liability	\$ 3,224,937	\$ 2,016,762	\$ 1,008,669

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Firefighters' Retirement System (FFRS) (Continued)

Net Pension Liability (Continued)

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

Deferred Outflows and Inflows of Resources Related to FFRS – For the year ended September 30, 2024, the City recognized a pension expense of \$690,998. On September 30, 2024, 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	\$ 446,552	\$ (162,831)
Changes of Assumptions	289,545	(81,932)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	582,013	-
City and State Contributions Subsequent to the Measurement Date	490,108	
Total	<u>\$ 1,808,218</u>	<u>\$ (244,763)</u>

The deferred outflows of resources related to the FFRS, totaling \$490,108 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, 2025. 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>
2025	\$ 188,667
2026	220,075
2027	413,678
2028	54,960
2029	98,613
Thereafter	97,354

Payables to FFRS Pension Plan – At September 30, 2024, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2024.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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 \$455,041 for the fiscal year ended September 30, 2024.

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, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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, if vested, 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 55, if vested, or at any age after 25 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 8 years after electing to participate, except that certain instructional personnel may participate for up to 10 years. 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, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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>Percent 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, 2023, were applied to employee salaries as follows: regular employees 13.57%, senior management 34.52%, and DROP participants 21.13%. The City's contributions to the FRS Plan were \$266,654 for the year ended September 30, 2024.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Pension Costs – At September 30, 2024, the City reported a liability of \$1,667,692 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2024, the City's proportionate share was 0.004310986%, which was an increase of 0.000135185% from its proportionate share measured as of June 30, 2023.

For the fiscal year ended September 30, 2024, the City recognized pension expense of \$334,214. 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	\$ 168,482	\$ -
Changes of Actuarial Assumptions	228,572	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(110,843)
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	223,779	(38,199)
City Contributions Subsequent to the Measurement Date	75,682	-
Total	<u>\$ 696,515</u>	<u>\$ (149,042)</u>

The amount of \$75,682 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, 2025. 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>
2025	\$ 42,683
2026	327,322
2027	68,707
2028	15,523
2029	17,556
Thereafter	-

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40% Per Year
Salary Increases	3.50%, Average, Including Inflation
Investment Rate of Return	6.70%

Mortality rates were based on the PUB2010 base table, varies by member category and sex, projected generationally with Scale MP-2021. The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The long-term expected rate of return assumption of 6.70% consists of two building block components: 1) long-term average annual inflation assumption of 2.40 percent as adopted in October 2024 by the FRS Actuarial Assumption Conference; and 2) an inferred real (in excess of inflation) return of 4.20 percent. In the opinion of the FRS consulting actuary both components and the overall 6.70% return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.70% reported investment return assumption is the same as the investment return assumption chosen by the 2023 FRS Actuarial Assumption Conference for funding policy purposes.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0 %	3.3 %	3.3 %	1.1 %
Fixed Income	29.0	5.7	5.6	3.9
Global Equity	45.0	8.6	7.0	18.2
Real Estate (Property)	12.0	8.1	6.8	16.6
Private Equity	11.0	12.4	8.8	28.4
Strategic Investments	2.0	6.6	6.2	8.7
Totals	<u>100.0 %</u>			
Assumed Inflation - Mean			2.4 %	1.5 %

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.70% for the FRS Plan, the same as prior year. 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	5.70%	6.70%	7.70%
City's Proportionate Share of the FRS Plan Net Pension Liability	\$ 2,933,412	\$ 1,667,692	\$ 607,383

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.

Benefits Provided – For the fiscal year ended June 30, 2024, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 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.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

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, 2024, 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 \$70,831 for the year ended September 30, 2024.

Pension Costs – At September 30, 2024, the City reported a liability of \$1,106,313 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. 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, 2023, through June 30, 2024, relative to the total employer contributions received from all participating employers. At June 30, 2024, the City's proportion was 0.007374940%, which was an increase of 0.000695944% from its proportion measured as of June 30, 2023.

For the year ended September 30, 2024, the City recognized pension expense of \$120,827 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>Resources</u>	<u>Resources</u>
Differences Between Expected and Actual		
Economic Experience	\$ 10,682	\$ (2,124)
Changes in Actuarial Assumptions	19,579	(130,973)
Net Difference Between Projected and		
Actual Earnings on HIS Program Investments	-	(400)
Changes in Proportion and Differences Between		
City Contributions and Proportionate Share		
of Contributions	259,947	-
City Contributions Subsequent to the		
Measurement Date	21,527	-
Total	<u>\$ 311,735</u>	<u>\$ (133,498)</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

The \$21,527 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 ending September 30, 2025. 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>
2025	\$ 51,715
2026	41,911
2027	24,619
2028	23,219
2029	12,935
Thereafter	2,312

Actuarial Assumptions – The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40% Per Year
Salary Increases	3.50%, Average, Including Inflation
Municipal Bond Rate	3.93%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2021. The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

Discount Rate – The discount rate used to measure the total pension liability was 3.65% in the current year and 3.93% in the prior year 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 FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

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 1 percentage point lower or 1-percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
HIS Plan Discount Rate	2.65%	3.65%	4.65%
City's Proportionate Share of the HIS Plan Net Pension Liability	\$ 1,210,109	\$ 1,106,314	\$ 936,875

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 Annual Comprehensive Financial Report.

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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Investment Plan (Continued)

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, 2024, 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 \$328,424 for the year ended September 30, 2024. Employee contributions to the Investment Plan totaled \$72,568 for the year ended September 30, 2024.

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	\$ 1,428,701	\$ 2,016,762	\$ 1,667,692	\$ 1,106,314	\$ 6,219,469
Deferred Outflows of Resources	634,171	1,808,218	696,515	311,735	3,450,639
Deferred Inflows of Resources	-	244,763	149,042	133,498	527,303
Pension Expense	310,614	505,997	334,214	120,827	1,271,652

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

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, 2024, FRS senior management has a contribution rate of 34.52%. 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, 2024 for eligible employees participating in the plan was approximately \$323,009. The City's total payroll for all employees was \$4,596,283.

As of September 30, 2024, the City's contributions to the plan were \$ 69,452 on behalf of the four employees participating during the fiscal year.

NOTE 14 DEFICITS

The CDBG Fund has an unassigned fund balance deficit of \$283,966 as of September 30, 2024. 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 \$468,155 as of September 30, 2024. This deficit is primarily due to the Airport's operating expenses exceeding operating revenues.

The Solid Waste Fund has an unrestricted net position deficit of \$619,127 as of September 30, 2024. This deficit is primarily due to the Solid Waste Fund's operating expenses exceeding operating revenues in the current year.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 15 LEASES

Lessor Arrangements

The City, acting as lessor, leases commercial space, airport hangers, and cell towers through long-term, noncancelable lease agreements. The leases expire at various dates and provide for renewal options. During the year ended September 30, 2024, the City recognized \$72,323 in lease revenue and \$64,846 in interest revenue, pursuant to these contracts.

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

Year Ending September 30.	Governmental Activities		Business Activities		Total
	Principal	Interest	Principal	Interest	
2025	\$ 43,534	\$ 13,678	\$ 29,622	\$ 49,298	\$ 136,132
2026	46,917	12,583	53,164	48,256	160,920
2027	50,477	11,403	77,763	46,157	185,800
2028	54,216	10,136	80,128	43,792	188,272
2029	58,153	8,775	82,656	41,355	190,939
2029-2033	325,941	19,943	391,692	171,264	908,840
2037-2039	-	-	498,617	105,383	604,000
2039-2043	-	-	442,826	27,084	469,910
Total Minimum Lease Payments	<u>\$ 579,238</u>	<u>\$ 76,518</u>	<u>\$ 1,656,468</u>	<u>\$ 532,589</u>	<u>\$ 2,844,813</u>

NOTE 16 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.

The City participates in various federal and state grant programs, which are subject to program compliance audits. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 17 SUBSEQUENT EVENT

In November 2024, subsequent to year-end, the City entered into an agreement with Florida Airport Management KAVO LLC (FAM) to transfer operational responsibility for the Avon Park Executive Airport to a private operator under a long-term lease and management arrangement. The agreement grants the lessee the right to operate, manage, and maintain the airport and related facilities in compliance with applicable FAA and FDOT requirements.

Under the lease, the City retains ownership of the airport property and will receive annual base rent of \$84,000, subject to periodic adjustments and credits for qualifying capital investments as defined in the agreement. The initial term of the lease is 30 years, with provisions for potential extensions upon mutual consent.

December 3, 2025, Council held a special meeting to discuss the FAM lease agreement and allegations of default of the lease. A formal letter of default was issued to FAM on December 8, 2025 and management of the Airport reverted to the City.

This transaction represents a nonrecognized subsequent event under generally accepted accounting principles and therefore has no impact on the financial statements for the fiscal year ended September 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

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

	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Total OPEB Liability							
Service Cost	\$ 25,745	\$ 14,187	\$ 16,034	\$ 26,719	\$ 25,962	\$ 35,007	\$ 36,591
Interest	6,062	7,126	15,509	7,449	10,718	18,092	15,088
Changes of Assumptions	106,535	(3,580)	(197,144)	(1,477)	(172,002)	(23,299)	(24,837)
Benefit Payments	(11,144)	(18,712)	(25,834)	(14,348)	(12,876)	(22,155)	(20,372)
Net Change in Total OPEB Liability	127,198	(979)	(191,435)	18,343	(148,198)	7,645	6,470
Total OPEB Liability - Beginning of Year	158,400	159,379	350,814	332,471	480,669	473,024	466,554
Total OPEB Liability - End of Year	<u>\$ 285,598</u>	<u>\$ 158,400</u>	<u>\$ 159,379</u>	<u>\$ 350,814</u>	<u>\$ 332,471</u>	<u>\$ 480,669</u>	<u>\$ 473,024</u>
Covered Employee Payroll	\$ 5,263,423	\$ 3,793,238	\$ 3,793,238	\$ 2,285,734	\$ 2,285,734	\$ 2,395,122	\$ 2,259,549
Total OPEB Liability as a Percentage of the Covered Employee Payroll	5.43 %	4.20 %	4.20 %	15.35 %	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:

Fiscal Year	Discount Rate
2024	3.97 %
2023	4.75 %
2022	4.59 %
2021	2.29 %
2020	2.26 %
2019	4.18 %
2018	3.64 %
2017	3.06 %

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

Measurement Date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability:										
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ 25,398	\$ 21,881	\$ 43,637	\$ 43,485	\$ 34,314	\$ 37,818
Interest	484,917	482,054	482,268	471,760	475,203	478,398	473,710	457,532	464,239	448,862
Change in Excess State Money	-	-	-	(49,075)	49,075	-	-	44,955	-	-
Share Plan Allocation	-	-	-	102,480	-	28,839	23,267	(44,955)	-	-
Difference Between Expected and Actual Experience	16,287	39,081	40,987	160,751	(8,139)	(121,947)	(107,123)	(156,072)	(302,143)	-
Change of Assumptions	-	-	-	(77,922)	386,122	349,415	-	138,973	-	-
Benefit Payments, Including Refunds of Employee Contributions	(480,360)	(480,121)	(571,310)	(443,687)	(455,925)	(352,143)	(354,136)	(299,468)	(279,363)	(302,555)
NET CHANGE IN TOTAL PENSIONS LIABILITY	20,844	41,014	(48,055)	164,307	471,734	404,443	79,355	184,450	(82,953)	184,125
Total Pension Liability - Beginning of Year	7,167,606	7,126,592	7,174,647	7,010,340	6,538,606	6,134,163	6,054,808	5,870,358	5,953,311	5,769,186
TOTAL PENSION LIABILITY - END OF YEAR	\$ 7,188,450	\$ 7,167,606	\$ 7,126,592	\$ 7,174,647	\$ 7,010,340	\$ 6,538,606	\$ 6,134,163	\$ 6,054,808	\$ 5,870,358	\$ 5,953,311
Plan Fiduciary Net Position										
Contributions - Employer	\$ 34,916	\$ 126,701	\$ 111,697	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 88,490	\$ 130,000
Contributions - State of Florida	-	-	74,156	75,222	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	561,709	(1,120,361)	1,252,284	445,999	177,282	478,081	722,846	373,165	(71,456)	565,325
Benefit Payments and Refunds	(485,607)	(480,121)	(571,271)	(443,687)	(455,925)	(352,143)	(354,136)	(299,468)	(279,363)	(302,555)
Administrative Expenses	(54,525)	(59,080)	(56,048)	(51,577)	(63,413)	(50,669)	(54,683)	(35,897)	(39,185)	(71,749)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	56,493	(1,532,861)	810,818	25,957	(273,370)	142,520	379,776	127,022	(238,937)	380,584
Plan Fiduciary Net Position - Beginning of Year	5,703,256	7,236,117	6,425,299	6,399,342	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	\$ 5,759,749	\$ 5,703,256	\$ 7,236,117	\$ 6,425,299	\$ 6,399,342	\$ 6,672,712	\$ 6,530,192	\$ 6,150,416	\$ 6,023,394	\$ 6,262,331
Net Pension (Asset) Liability	\$ 1,428,701	\$ 1,464,350	\$ (109,525)	\$ 749,348	\$ 610,998	\$ (134,106)	\$ (396,029)	\$ (95,608)	\$ (153,036)	\$ (309,020)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.13 %	79.57 %	101.54 %	89.56 %	91.28 %	102.05 %	106.46 %	101.58 %	102.61 %	105.19 %
Covered Payroll	N/A	N/A	N/A	N/A	\$ 29,846	\$ 83,181	\$ 148,690	\$ 181,491	\$ 152,797	\$ 157,429
Net Pension Liability as a Percentage of the Covered Payroll	N/A	N/A	N/A	N/A	2047.17 %	(161.22)%	(266.35)%	(52.68)%	(100.16)%	(196.29)%

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

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

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.

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
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT SYSTEM
LAST TEN MEASUREMENT PERIODS

Measurement Date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability										
Service Cost	\$ 268,786	\$ 209,908	\$ 161,884	\$ 143,225	\$ 142,833	\$ 139,148	\$ 108,643	\$ 143,226	\$ 153,105	\$ 146,250
Interest	615,631	602,981	572,402	551,494	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	8,424	-	-	8,424	-	-	43,839	-	-	-
Change in Benefit Terms	-	-	-	-	12,271	-	-	-	-	-
Difference Between Expected and Actual Experience	332,933	(108,996)	138,687	127,858	(216,212)	191,813	(184,278)	(60,536)	(104,097)	-
Change of Assumptions	-	-	463,275	(163,864)	-	(21,036)	-	206,276	-	-
Benefit Payments, Including Refunds of Employee Contributions	(761,162)	(402,951)	(401,616)	(395,581)	(404,929)	(600,203)	(360,884)	(249,242)	(213,139)	(203,603)
NET CHANGE IN TOTAL PENSIONS LIABILITY	464,612	300,942	934,632	271,556	79,998	246,083	58,107	543,503	316,149	397,404
Total Pension Liability - Beginning of Year	8,906,530	8,605,588	7,670,956	7,407,824	7,327,826	7,081,743	7,023,636	6,480,133	6,163,984	5,766,580
TOTAL PENSION LIABILITY - END OF YEAR	\$ 9,371,142	\$ 8,906,530	\$ 8,605,588	\$ 7,679,380	\$ 7,407,824	\$ 7,327,826	\$ 7,081,743	\$ 7,023,636	\$ 6,480,133	\$ 6,163,984
Plan Fiduciary Net Position										
Contributions - Employer	\$ 329,288	\$ 333,926	\$ 288,069	\$ 345,025	\$ 445,654	\$ 330,429	\$ 363,321	\$ 330,229	\$ 412,081	\$ 342,083
Contributions - State of Florida	60,750	42,417	41,848	39,085	38,071	39,835	49,927	43,087	41,577	46,301
Contributions - Employee	56,319	52,624	44,943	39,090	32,362	31,510	32,690	29,590	33,093	33,750
Net Investment Income	676,565	(1,338,801)	1,493,914	640,648	215,579	529,834	634,997	327,419	(36,226)	439,120
Benefit Payments and Refunds	(761,162)	(402,951)	(401,616)	(395,581)	(404,929)	(600,203)	(360,882)	(249,242)	(213,139)	(203,603)
Administrative Expenses	(68,532)	(81,200)	(74,782)	(71,437)	(78,852)	(66,011)	(54,265)	(57,291)	(66,097)	(53,989)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	293,228	(1,393,985)	1,392,376	596,830	247,885	265,394	665,788	423,792	171,289	603,662
Plan Fiduciary Net Position - Beginning of Year	7,061,152	8,455,137	7,062,761	6,465,931	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	\$ 7,354,380	\$ 7,061,152	\$ 8,455,137	\$ 7,062,761	\$ 6,465,931	\$ 6,218,046	\$ 5,952,652	\$ 5,286,864	\$ 4,863,072	\$ 4,691,783
Net Pension (Asset) Liability	<u>\$ 2,016,762</u>	<u>\$ 1,845,378</u>	<u>\$ 150,451</u>	<u>\$ 616,619</u>	<u>\$ 941,893</u>	<u>\$ 1,109,780</u>	<u>\$ 1,129,091</u>	<u>\$ 1,736,772</u>	<u>\$ 1,617,061</u>	<u>\$ 1,472,201</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.48 %	79.28 %	98.25 %	91.97 %	87.29 %	84.86 %	84.06 %	75.27 %	75.05 %	76.12 %
Covered Payroll	\$ 1,126,373	\$ 1,052,482	\$ 898,859	\$ 781,814	\$ 647,238	\$ 630,200	\$ 653,809	\$ 591,797	\$ 667,541	\$ 677,155
Net Pension Liability as a Percentage of the Covered Payroll	179.05 %	175.34 %	16.74 %	78.87 %	145.52 %	176.10 %	172.69 %	293.47 %	242.24 %	217.41 %

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

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 the measurement date September 30, 2021, the investment rate of return was lowered from 7.5% to 7.0% per year, net of investment related expenses.

For measurement date September 30, 2020, as mandated by Chapter 2015-157, *Laws of Florida*, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation for special risk employees.

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%.

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
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
2024	\$ 142,444	\$ 142,444	\$ -	N/A	N/A
2023	109,072	34,916	74,156	N/A	N/A
2022	126,701	126,701	-	N/A	N/A
2021	122,172	185,853	63,681	N/A	N/A
2020	21,817	21,817	-	N/A	N/A
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 %

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, 2024 contributions, the valuation date was as of October 1, 2022.

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

Amortization method - new UAAL amortization bases.

Remaining amortization period - 15 years as of the October 1, 2021 valuation.

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

Payroll growth - None.

Salary increases - N/A Closed Plan with no remaining active participants

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

Investment rate of return - 7% per year compounded annually, net of investment related expenses.

Retirement age - N/A Closed Plan with no remaining active participants

Termination rates - N/A Closed Plan with no remaining active participants

Disability rates - N/A Closed Plan with no remaining active participants

Mortality - No active lives: Closed Plan with no remaining active participants. Retiree lives are PubS.H-2010 (set forward one year). Beneficiary lives are PubG.H-2010 except male set back one year. Disabled lives are 80% PubG.H-2010 / 20% PubS.H-2010.

**CITY OF AVON PARK, FLORIDA
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
2024	\$ 468,104	\$ 479,564	\$ (11,460)	\$ 1,121,797	42.75 %
2023	371,136	381,614	(10,478)	1,126,373	33.88 %
2022	379,550	376,343	3,207	1,052,482	35.76 %
2021	357,940	329,917	(28,023)	898,859	36.70 %
2020	406,058	384,110	(21,948)	781,814	49.130 %
2019	445,653	483,725	38,072	647,238	74.740 %
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 %

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, 2024 contributions, the valuation date was as of October 1, 2023.

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

Amortization method - new UAAL amortization bases.

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%

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 - 7.0% 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.

Early retirement - 0% for each year of eligibility

Mortality rates were based on PubS.H.-2010 mortality tables.

Retirement Age Table:

% Retiring During the Year				% Becoming Disabled	
(10 to 25 years of service)		(> 25 years of service)		Age	During the Year
Age	Rate	Age	Rate		
55-56	50 %	25-27	25 %	20	0.03%
57+	100 %	28	50 %	25	0.03%
		29+	100 %	30	0.04%
				35	0.05%
				40	0.07%
				45	0.10%
				50	0.18%
				55	0.36%
				60	0.90%
% Terminating Service during the year		Salary Scale			
Service	Rate	Service	Rate		
0-14 years	2.50 %	0 years	10.00 %		
15+ years	- %	1 years	10.00 %		
		2 years	7.00 %		
		3-19 years	4.50 %		
		20+ years	4.00 %		

CITY OF AVON PARK, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
FLORIDA RETIREMENT SYSTEM PENSION PLAN ¹
LAST TEN MEASUREMENT PERIODS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.004310986%	0.004175801%	0.003774534%	0.003012812%	0.000034226%	0.002991289%	0.002506030%	0.002295989%	0.002149501%	0.001058703%
City's Proportionate Share of the Net Pension Liability	\$ 1,667,692	\$ 1,663,922	\$ 1,404,430	\$ 227,584	\$ 1,483,402	\$ 1,030,158	\$ 754,829	\$ 679,138	\$ 542,751	\$ 136,746
City's Covered Payroll	\$ 3,121,154	\$ 2,658,759	\$ 2,027,129	\$ 1,687,920	\$ 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	46.70 %	62.58 %	69.28 %	13.48 %	89.95%	92.71 %	60.69 %	66.04 %	58.50 %	37.93 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.70 %	82.38 %	82.89 %	96.40 %	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.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 266,654	\$ 205,593	\$ 174,788	\$ 118,618	\$ 103,695	\$ 111,507	\$ 74,795	\$ 61,407	\$ 58,491	\$ 34,552
Contributions in Relation to the Contractually Required Contribution	(266,654)	(205,593)	(174,788)	(118,618)	(103,695)	(111,507)	(74,795)	(61,407)	(58,491)	(34,552)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 2,578,333	\$ 2,699,982	\$ 2,208,753	\$ 1,669,166	\$ 1,641,970	\$ 1,469,769	\$ 1,311,165	\$ 1,062,216	\$ 1,013,067	\$ 518,601
Contributions as a Percentage of Covered Payroll	7.47 %	7.61 %	7.91 %	7.11 %	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.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.000073749 %	0.000066790 %	0.005562442 %	0.004747100 %	0.004735876 %	0.004172300 %	0.003808200 %	0.003207676 %	0.003005484 %	0.001178455 %
City's Proportionate Share of the Net Pension Liability	\$ 1,106,313	\$ 1,060,714	\$ 589,151	\$ 1,106,314	\$ 578,243	\$ 466,839	\$ 403,064	\$ 342,980	\$ 350,277	\$ 120,184
City's Covered Payroll	\$ 3,121,154	\$ 2,658,759	\$ 2,027,129	\$ 1,687,920	\$ 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	35.45 %	39.90 %	29.06 %	65.54 %	35.06 %	33.40 %	32.41 %	33.35 %	37.75 %	33.34 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	4.80 %	4.12 %	4.810 %	3.56 %	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.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 70,831	\$ 46,784	\$ 36,674	\$ 27,685	\$ 27,262	\$ 24,402	\$ 21,771	\$ 17,531	\$ 16,820	\$ 7,312
Contributions in Relation to the Contractually Required Contribution	<u>(70,831)</u>	<u>(46,784)</u>	<u>(36,674)</u>	<u>(27,685)</u>	<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>
City's Covered Payroll	\$ 2,578,333	\$ 2,699,982	\$ 2,208,753	\$ 1,669,166	\$ 1,641,970	\$ 1,469,769	\$ 1,311,165	\$ 1,062,216	\$ 1,013,067	\$ 518,601
Contributions as a Percentage of Covered Payroll	2.75 %	1.73 %	1.66 %	1.66 %	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.

SUPPLEMENTARY INFORMATION

**CITY OF AVON PARK, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – CRA FUNDS
YEAR ENDED SEPTEMBER 30, 2024**

	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	\$ 428,885	\$ 178,915	\$ 22,089	\$ 629,889
Total Revenues	<u>428,885</u>	<u>178,915</u>	<u>22,089</u>	<u>629,889</u>
EXPENDITURES				
Current:				
Economic Environment:				
Personal Services	38,058	19,604	-	57,662
Professional Services	1,583	1,583	584	3,750
Other Expenditures	1,859	8,028	140	10,027
Grants and Subsidies	124,578	22,804	-	147,382
Total Expenditures	<u>166,078</u>	<u>52,019</u>	<u>724</u>	<u>218,821</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	262,807	126,896	21,365	411,068
Fund Balances - Beginning of Year	<u>1,189,239</u>	<u>314,820</u>	<u>206,993</u>	<u>1,711,052</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,452,046</u></u>	<u><u>\$ 441,716</u></u>	<u><u>\$ 228,358</u></u>	<u><u>\$ 2,122,120</u></u>

CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2024

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
ASSETS			
Cash and Cash Equivalents	\$ 141,419	\$ 218,225	\$ 359,644
Receivables:			
Sale of Investments	-	4,124	4,124
Brokerage Transactions		895	895
Accrued Income	3,961	19,000	22,961
Total Receivables	<u>3,961</u>	<u>24,019</u>	<u>27,980</u>
Investments, at Fair Market Value:			
Fixed Income Mutual Funds	1,972,023	391,930	2,363,953
U.S. Government and Agencies	-	870,148	870,148
Corporate and Foreign Bonds	-	793,531	793,531
Equity Securities and Mutual Funds	3,918,704	6,153,713	10,072,417
Real Estate Investment Fund	488,905	615,478	1,104,383
Total Investments	<u>6,379,632</u>	<u>8,824,800</u>	<u>15,204,432</u>
Total Assets	6,525,012	9,067,044	15,592,056
LIABILITIES			
Accounts Payable	10,735	42,133	52,868
Advanced Contribution From Employer	-	22,507	22,507
Total Liabilities	<u>10,735</u>	<u>64,640</u>	<u>75,375</u>
FIDUCIARY NET POSITION			
Restricted for:			
Pension	6,514,277	9,002,404	15,516,681
Total Fiduciary Net Position	<u>\$ 6,514,277</u>	<u>\$ 9,002,404</u>	<u>\$ 15,516,681</u>

CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
YEAR ENDED SEPTEMBER 30, 2024

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
ADDITIONS			
Contributions:			
City	\$ 142,444	\$ 413,658	\$ 556,102
Plan Members	-	56,090	56,090
State of Florida	-	64,990	64,990
Total Contributions	<u>142,444</u>	<u>534,738</u>	<u>677,182</u>
Investment Income (Loss)	1,170,503	1,653,656	2,824,159
Less Investment Expenses:			
Investment Management Fees	13,948	5,679	19,627
Custodial Fees	2,596	4,688	7,284
Performance Evaluation Fees	15,000	20,000	35,000
Total Investment Expenses	<u>31,544</u>	<u>30,367</u>	<u>61,911</u>
Net Investment Income (Loss)	<u>1,138,959</u>	<u>1,623,289</u>	<u>2,762,248</u>
Total Additions	1,281,403	2,158,027	3,439,430
DEDUCTIONS			
Administrative Expenses	55,389	90,350	145,739
Payments to Retirees and Participants	471,486	419,653	891,139
Total Deductions	<u>526,875</u>	<u>510,003</u>	<u>1,036,878</u>
CHANGE IN NET POSITION	754,528	1,648,024	2,402,552
Net Position Restricted for Pensions - Beginning of Year	<u>5,759,749</u>	<u>7,354,380</u>	<u>13,114,129</u>
NET POSITION RESTRICTED FOR PENSIONS - END OF YEAR	<u><u>\$ 6,514,277</u></u>	<u><u>\$ 9,002,404</u></u>	<u><u>\$ 15,516,681</u></u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avon Park, Florida (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2026. Our report includes a reference to other auditors who audited the financial statements of the Firefighters' Pension Trust fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Police Officers' pension trust fund 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 Police Officers' pension trust fund.

Report on Internal Control Over Financial Reporting

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

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

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001, 2024-002, and 2024-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

City of Avon Park, Florida's Response to Findings

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

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

Lakeland, Florida
January 29, 2026

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2024**

2024-001 – Audit Adjustments

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: Several audit adjustments were necessary for the financial statements to be reported in accordance with generally accepted accounting standards (GAAP). Without these adjustments being recorded, the financial statements would have been materially misstated. The following summarizes the material misstatements noted during the audit:

- The ARPA bank account within the Water & Sewer Fund was closed during the fiscal year and the funds were transferred to the General Fund Operating Account; however, the entry to record the transaction in the general ledger was not posted.
- Code enforcement revenue and receivables in the General Fund were overstated due to errors in recording the transactions.
- CDBG revenue was overstated and unavailable revenue was understated due to grant funds received after the fund period of availability being recognized as revenue in the current year.
- Water and Sewer Fund and Solid Waste Fund revenue and receivables were understated due to an error in calculation of the allowance for uncollectible accounts.
- CDBG revenue was understated and unavailable revenue was overstated due to grant funds received during the year not being correctly recognized.

Criteria or specific requirement: The City's management is responsible for establishing and maintaining internal controls to ensure that transactions are properly reported in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Effect: Before the corrections, the financial statements were materially misstated.

Cause: The City converted to new accounting software during the year, and the transition required significant staff time to address system configuration and process changes. As a result, certain reconciliations and reviews did not detect certain material misstatements.

Repeat finding: See prior year finding 2023-001.

Recommendation: The City should implement additional review procedures to ensure account balances are reconciled to detect material misstatements. Analytical procedures should also be implemented to identify unusual account balances.

Views of responsible officials and planned corrective actions: Management agrees with the recommendation. The City will enhance its review procedures by implementing regular reconciliations of account balances and documenting supervisory review to ensure balances are accurate and consistent with supporting documentation. In addition, management will incorporate analytical review procedures during the year-end close process to identify unusual or unexpected account balances and trends. These measures are intended to strengthen controls over financial reporting and reduce the risk of material misstatement.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2024**

Finding 2024-002: Journal Entry Review

Type of Finding: Material Weakness in Internal Control Over Financial Reporting.

Condition: The Finance Director has the ability to initiate, post, and modify journal entries in the general ledger. As a result, there were journal entries posted during the year where there was no independent review of these journal entries by another individual.

Criteria or specific requirement: According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control–Integrated Framework, management should establish internal controls that include adequate segregation of duties to reduce the risk of error or fraud and ensure the reliability of financial reporting. Under generally accepted government auditing standards (GAGAS), management is responsible for the design and implementation of effective internal controls over financial reporting.

Effect: Without independent review of journal entries, there is an increased risk that errors or irregularities could occur and not be detected or corrected in a timely manner, increasing the risk of material misstatement to the financial statements.

Cause: Strain on the Finance Department due to turnover and system conversion resulted in entries being posted without review.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend that management implement controls to ensure adequate segregation of duties over journal entries. This may include requiring documented independent review of all journal entries posted by the Finance Director by another member of management or a governing body designee or implementing compensating controls such as periodic review of journal entry reports and account reconciliations by an independent individual.

Views of responsible officials and planned corrective actions: Management acknowledges the lack of segregation of duties and plans to implement additional review procedures to strengthen internal controls over financial reporting.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2024**

2024-003 – Inventory Valuation

Type of Finding:

- Material Weakness in Internal Control Over Financial Reporting.

Condition: During our audit of the City's financial statements, we noted that use of the City's inventory tracking software was discontinued and replacement software was not implemented. As a result, the City does not have a system in place to accurately track inventory quantities or the value of inventory on hand or used during the fiscal year.

Criteria or specific requirement: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control–Integrated Framework requires management to establish control activities to ensure assets are safeguarded and accurately accounted for. Additionally, under generally accepted government auditing standards (GAGAS), management is responsible for maintaining effective internal control over financial reporting, including controls to ensure inventory is properly tracked, valued, and reported in accordance with generally accepted accounting principles (GAAP).

Effect: Without an effective inventory tracking system or compensating controls, the City is unable to ensure that inventory balances are complete and accurate. This increases the risk that inventory assets may be misstated and that inventory usage may not be properly recorded in the financial statements.

Cause: The City discontinued its inventory tracking software without implementing alternative procedures or compensating controls to track inventory activity and balances. As a result, inventory tracking and valuation processes were not formally established or consistently applied.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend that the City implement procedures to accurately track inventory quantities and values. This may include implementing inventory tracking software or establishing documented manual inventory records with periodic physical counts and supervisory review. These procedures should be designed to ensure inventory is properly valued and reported in accordance with GAAP.

Views of responsible officials and planned corrective actions: Management acknowledges the finding and plans to evaluate options for implementing improved inventory tracking procedures to strengthen controls over inventory.



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, 2024, and have issued our report thereon dated January 29, 2026.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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*; and Independent Accountant's 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, which are dated January 29, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Finding 2023-001 has been repeated in the current year.

Official Title and Legal Authority

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

Financial Condition and Management

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.

Property Assessed Clean Energy (PACE) Programs

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

Special District Component Units

Section 10.554(1)(i)5.c, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes. As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Community Redevelopment Agency of the City of Avon Park reported their required information in their audit report.

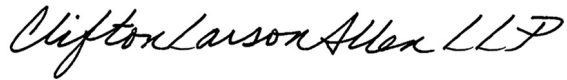
Additional Matters

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

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

Purpose of this Letter

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

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

CliftonLarsonAllen LLP

Lakeland, Florida
January 29, 2026



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 (the City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2024. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

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

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2024.

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

Lakeland, Florida
January 29, 2026

