

CITY OF AVON PARK, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

**CITY OF AVON PARK, FLORIDA
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SEPTEMBER 30, 2015**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avon Park, Florida (City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund, Infrastructure Fund, and CRA Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended September 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (see Note 17.) Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, information on other postemployment benefits on page 70, and information on pension benefits on pages 71 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining financial statements and schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditor. In our opinion, the combining financial statements and schedule 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 June 15, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Sebring, Florida
June 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Avon Park (the City) offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at the close of the fiscal year by \$42.3 million (net position). Of this amount, \$31.4 million represented the City's net investment in capital assets, and \$2.7 million was restricted by laws or capital projects. The remaining \$8.1 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased \$3.6 million from its current year activity, of which \$1.5 million was an increase from governmental activities, and \$2.1 million was an increase from business-type activities.
- As of September 30, 2015, the City reported combined governmental ending fund balances of \$6.5 million an increase of \$1.0 million in comparison with the prior year. In addition, the City reported combined proprietary fund net position of \$28.2 million, an increase of \$2.1 million in comparison with the prior year's restated net position.
- At September 30, 2015, unassigned fund balance (the City's Reserves) for the general fund was \$2.7 million or 64 percent of total general fund expenditures. By policy, the City is only required to keep reserves of 20 percent.
- During the year, the City implemented a new accounting standard for employer sponsored pensions. This new accounting standard resulted in the City reporting a net pension asset for governmental activities of \$309,020, and net pension liabilities for governmental and business-type activities of \$1,549,235 and \$179,896, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all the City's assets, deferred outflows 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 are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

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

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, airport operations and solid waste operations, which are all considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 25-28 of this report.

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

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 31-69 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 70-78 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 \$42.3 million at the close of the most recent fiscal year.

The largest portion of the City's net position \$31.4 million (74 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$2.7 million (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$8.1 million (20 percent).

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

CITY OF AVON PARK'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 7,312,613	\$ 5,917,087	\$ 7,352,216	\$ 5,836,340	\$ 14,664,829	\$ 11,753,427
Capital assets	8,876,230	8,655,502	22,859,927	22,123,389	31,736,157	30,778,891
Total assets	<u>16,188,843</u>	<u>14,572,589</u>	<u>30,212,143</u>	<u>27,959,729</u>	<u>46,400,986</u>	<u>42,532,318</u>
Deferred outflows of resources	547,799	-	108,658	-	656,457	-
Long-term liabilities						
outstanding	1,870,418	330,605	288,277	128,139	2,158,695	458,744
Other liabilities	549,485	332,897	1,795,371	1,621,705	2,344,856	1,954,602
Total liabilities	<u>2,419,903</u>	<u>663,502</u>	<u>2,083,648</u>	<u>1,749,844</u>	<u>4,503,551</u>	<u>2,413,346</u>
Deferred inflows of resources	196,806	-	51,793	-	248,599	-
Net position:						
Net investment in						
capital assets	8,641,211	8,655,502	22,798,204	22,109,422	31,439,415	30,764,924
Restricted	2,745,393	2,324,466	-	-	2,745,393	2,324,466
Unrestricted	2,733,329	2,929,119	5,387,156	4,100,463	8,120,485	7,029,582
Total net position	<u>\$ 14,119,933</u>	<u>\$ 13,909,087</u>	<u>\$ 28,185,360</u>	<u>\$ 26,209,885</u>	<u>\$ 42,305,293</u>	<u>\$ 40,118,972</u>

Statement of Activities:

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

CITY OF AVON PARK'S CHANGES IN NET POSITION

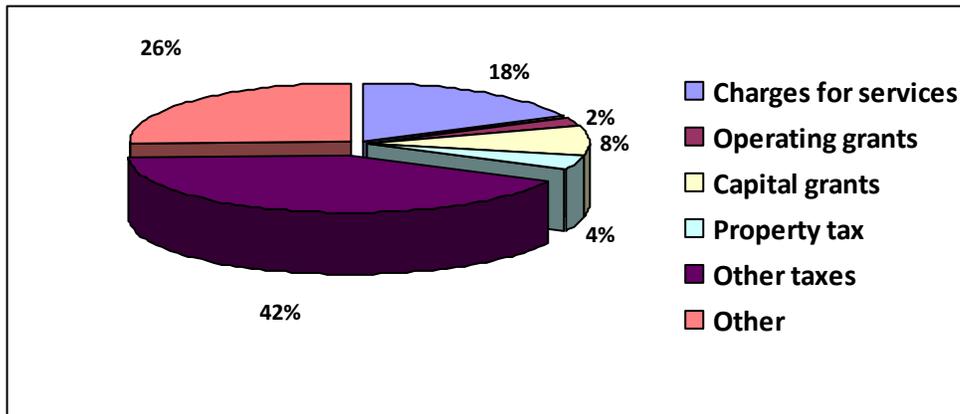
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 1,039,256	\$ 1,061,743	\$ 6,708,285	\$ 6,204,899	\$ 7,747,541	\$ 7,266,642
Operating grants and contributions	135,060	290,501	68,944	40,812	204,004	331,313
Capital grants and contributions	486,610	137,232	781,674	1,089,262	1,268,284	1,226,494
General revenues:						
Property taxes	216,362	190,280	-	-	216,362	190,280
Other taxes	2,428,260	2,269,299	-	-	2,428,260	2,269,299
Other	1,484,980	1,299,825	13,035	6,970	1,498,015	1,306,795
Total revenues	<u>5,790,528</u>	<u>5,248,880</u>	<u>7,571,938</u>	<u>7,341,943</u>	<u>13,362,466</u>	<u>12,590,823</u>

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Total revenues	5,790,528	5,248,880	7,571,938	7,341,943	13,362,466	12,590,823
Expenses:						
General government	637,157	664,209	-	-	637,157	664,209
Public safety	3,050,435	3,247,707	-	-	3,050,435	3,247,707
Transportation	644,230	691,289	-	-	644,230	691,289
Culture and recreation	529,403	531,302	-	-	529,403	531,302
Economic environment	120,189	411,663	-	-	120,189	411,663
Water and Sewer	-	-	2,921,480	3,034,262	2,921,480	3,034,262
Airport	-	-	805,080	500,651	805,080	500,651
Solid waste	-	-	1,054,301	1,135,822	1,054,301	1,135,822
Total expenses	4,981,414	5,546,170	4,780,861	4,670,735	9,762,275	10,216,905
Excess (deficiency)						
before transfers	809,114	(297,290)	2,791,077	2,671,208	3,600,191	2,373,918
Transfers	685,409	676,506	(685,409)	(676,506)	-	-
Change in net position	1,494,523	379,216	2,105,668	1,994,702	3,600,191	2,373,918
Net position, beginning	13,909,087	13,529,871	26,209,885	24,215,183	40,118,972	37,745,054
Implementation of new accounting principle	(1,283,677)	-	(130,193)	-	(1,413,870)	-
Net position, beginning as restated	12,625,410	13,529,871	26,079,692	24,215,183	38,705,102	37,745,054
Net position, ending	\$ 14,119,933	\$ 13,909,087	\$ 28,185,360	\$ 26,209,885	\$ 42,305,293	\$ 40,118,972

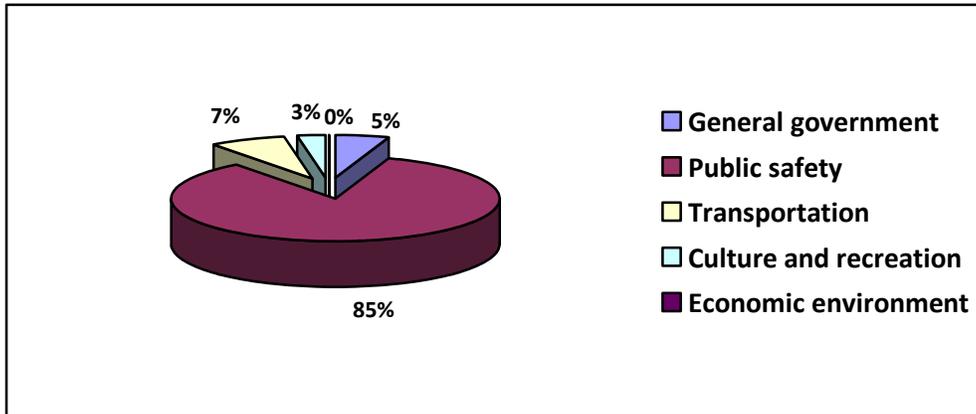
Governmental Activities. For the current year, the City's governmental activities had a change in net position of \$1,494,523, an increase of \$1,115,307 in comparison with the prior year. This increase is comprised of an increase in revenues and transfers in of \$550,551 with a decrease in expenses of \$564,756. The following graphic reflects the source of revenues for governmental activities.

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
2014-15 Fiscal Year



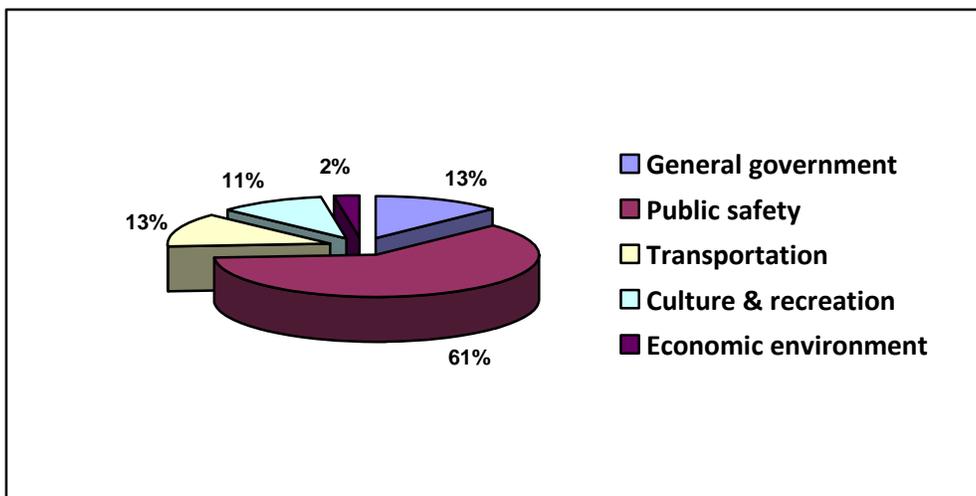
In total, governmental activities revenues increase of \$550,551 is comprised of the following significant changes. Capital grants and contributions increased \$349,378 from a drainage improvements that were 75% funded by the Southwest Florida Management District, other taxes increased \$158,961 mainly due to higher revenues from the infrastructure surtax, and other revenue increases in state shared revenues of \$105,062 and franchise fees of \$41,317. These increases were, however, offset by a decrease in operating grants and contributions of \$155,441 that was primarily due to the completion of a rehabilitative housing grant in the prior year.

**PROGRAM REVENUES/CHARGES FOR SERVICES – GOVERNMENTAL ACTIVITIES
2014-15 Fiscal Year**



Total program revenues/charges for services for governmental activities decreased \$22,487 when compared to the prior year. The most significant source of program revenue/charges for services is the special assessment for fire protection in the amount of \$862,478 that decreased \$65,437 when compared to the prior year.

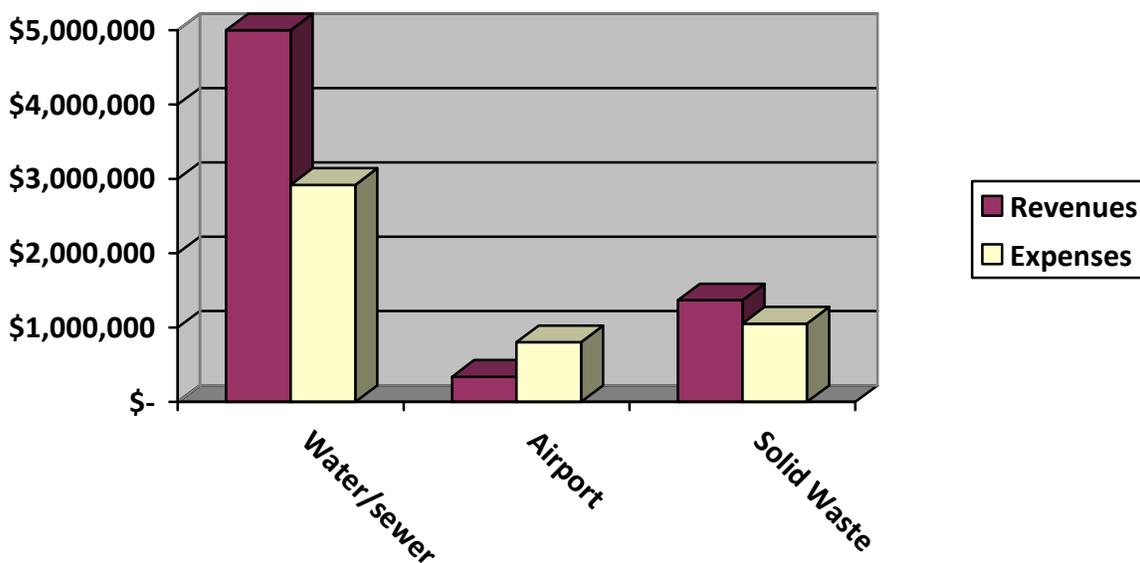
**PROGRAM EXPENSES – GOVERNMENTAL ACTIVITIES
2014-15 Fiscal Year**



Total program expenses for governmental activities decreased \$564,756 when compared to the prior year. The significant decreases during the year were in public safety of \$197,272 and economic environment of \$291,474. The decrease in public safety is due mainly to lower pension expenses and depreciation in the fire department. Economic environment expenses decreased \$170,851 as a result of completing the rehabilitative housing grant in the prior year and a decrease in grants awarded by the CRA of \$65,539.

Business-type Activities. Business-type activities account for 67 percent of the City’s net position. The City maintains three enterprise funds: water and sewer, airport, and solid waste. The water and sewer fund and solid waste fund derive income from service fees. The airport revenues are derived from rental of the facilities.

**PROGRAM REVENUES AND EXPENSES- BUSINESS-TYPE ACTIVITIES
2014-15 Fiscal Year**



The City’s business-type activities had excess revenue before transfers of \$2,791,077, an increase of \$119,869 in comparison to the prior year. After transfers, business-type activities increased the net position by \$2,105,668, which was an increase of \$110,966 in comparison to the prior year. Key elements of this change from the prior year were as follows:

The Water and Sewer Fund has net revenue of \$2,140,963, which is a decrease of \$640,246 compared to the prior year. The City had a net increase in charges for services of \$278,231 primarily due to increases in both water and sewage revenues. Of this amount \$84,182 is related water and \$145,495 is sewer related, of which \$68,107 of the increase is for onsite processing of delivered raw sewage (septage). In addition, overall expenses decreased \$112,782, of which \$71,207 is for operating costs and \$41,575 is interest expense from outstanding debt that was retired in the prior year.

The Airport Fund has net revenue of \$322,470, an improvement of \$493,526 compared to the prior year. The improvement is due to an increase in revenues of \$797,955 and an increase in expenses of \$304,429. The increase in revenues is from increases in charges for services, operating grants and contributions and capital grants and contributions of \$46,152, \$46,882 and \$704,921, respectively. The favorable net revenue for the current year is because the increases in operating and capital grants and contributions from the City’s two capital projects at the Airport for drainage improvements and a new aviation fuel facility are recognized as revenues upfront during construction and the associated costs for the capital

asset will be recognized as an expense over the capital asset's useful life. The increase in expenses are from one time costs from renting fuel trucks to sell aviation fuel during the construction of the new fuel facility and the costs from cleaning up a tenant's environmental contamination.

The Airport Fund is showing an operating loss of \$465,045, or an increase of \$258,277 compared to the prior year. Charges for services were not enough to cover the operating expenses. The main contributor to the increase in the operating loss is depreciation expense on airport improvements, hangars, and the industrial buildings that were financed with grants and tenant contributions and clean up costs incurred from the remediation of a tenant's environmental contamination.

The Solid Waste Fund has net revenue of \$314,609, which is an increase of \$260,524 compared to the prior year. This increase is from operating revenues increasing \$179,003 and expenses decreasing \$81,524. The increase in revenues is partially a result of the City's recent annexations that expanded its solid waste service area and the decrease in operating expenses is primarily due a decrease of \$66,809 in landfill fees.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$6,507,413, an increase of \$1,056,833 in comparison to the prior year. The unassigned fund balance of \$2,734,680, or 42 percent, is available for spending at the City's discretion. Also \$214,296 is committed to payment of compensated absences. The City's infrastructure fund and CRA Fund balances are restricted in their use.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,755,520 while total fund balance reached \$3,797,512. 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 64 percent and 62 percent, respectively, for an increase of 2 percent during the fiscal year. The City's fund balance in the general fund for the fiscal year increased \$656,749.

The fund balance of the City's infrastructure fund increased by \$360,008 during the current fiscal year due to the City spending less than it received in revenues.

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

Unrestricted net position of the Water and Sewer fund at the end of the year was \$4,974,278. The Airport fund and Solid Waste funds unrestricted net position were (\$1,204,628) and \$1,617,506, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The general fund changes between the original budget and the final amended budget were a net increase of \$96,520 in expenditures. The significant changes were as follows:

- Revenues from taxes increased \$96,520 due to State pension contributions being omitted from the original budget. The additional revenue was offset by additional expenses related to pension contributions of \$54,943 and \$41,577, to the Police and Fire departments respectively.
- Other government services budget decrease of \$65,750 is primarily due to the utilization of the City's contingency budget amount used to fund the buy back of employee sick time.

In total overall favorable budget variance for expenditures of the general fund was \$733,426. The primary reasons are the following:

- The City didn't utilize \$25,000 of its planned capital expenditures included in other government services.
- Culture and recreation's favorable variance of \$432,646 was due to a planned grant project of \$400,000 that did begin during the current year.

The Infrastructure had no changes in the each department's total between the original and final amended budget. Additionally, for the year and there was an overall favorable budget variance for expenditure in the amount of \$1,552,415. The reason for the favorable variances is because the City has not yet started certain projects that were expected to begin during the current year

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounts to \$31,736,157 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water production and distributions systems, wastewater collection and treatment plant, machinery and equipment, park facilities, roads, and curbs and sidewalks. The total increase in the City's investment in capital assets for the current fiscal year is a result of capital additions for the year exceeding current year depreciation.

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

- General fund improvements and equipment acquisitions comprised of:
 - Storm water drainage improvements, \$452,036
 - Martin Luther King parking improvements, \$246,706
 - Recreation Center's new hardwood flooring, \$79,540
 - Community Center remodel of second floor, \$29,131
 - Equipment, \$6,441
- Water and sewer improvements and equipment acquisitions comprised of:
 - 12" water well for Glenwood water plant, \$211,755
 - 18" water well for Bell Street water plant, \$207,425

- Water and sewer improvements and equipment acquisitions comprised of:
 - SCADA systems for Valencia Acres and College lift stations, \$14,425
 - Engineering for new drying ponds for the waste water treatment plant, \$40,258
 - Equipment, vehicle and mowers, \$183,842
 - Avon Park Lakes waterline extensions, \$114,195
 - Davis Citrus Road water main improvements, \$77,626
- Airport improvements comprised of drainage improvements, \$442,495 and aviation fuel facility, \$270,070
- Solid Waste purchased a 2014 garbage truck, \$151,367, a 2016 garbage truck, \$230,408 and other equipment, \$24,034.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 322,783	\$ 316,174	\$ 883,360	\$ 883,360	\$ 1,206,143	\$ 1,199,534
Buildings & system	5,716,360	5,622,420	37,747,358	37,527,523	43,463,718	43,149,943
Machinery & equipment	3,528,270	3,712,242	5,411,853	5,299,916	8,940,123	9,012,158
Infrastructure	6,412,981	6,149,496	-	-	6,412,981	6,149,496
Construction in progress	695,120	207,976	1,473,205	266,390	2,168,325	474,366
Total capital assets	16,675,514	16,008,308	45,515,776	43,977,189	62,191,290	59,985,497
Less: Accumulated depreciation	(7,799,284)	(7,352,806)	(22,655,849)	(21,853,800)	(30,455,133)	(29,206,606)
	<u>\$ 8,876,230</u>	<u>\$ 8,655,502</u>	<u>\$ 22,859,927</u>	<u>\$ 22,123,389</u>	<u>\$ 31,736,157</u>	<u>\$ 30,778,891</u>

Additional information on the City's capital assets can be found on Note 4 on pages 44-45 of this report.

Long-term debt. At the end of the fiscal year, the City's only outstanding long-term liabilities is for amounts payable to employees' annual leave and benefits. The City's total liability increased \$1,699,951 when compared to the prior year, of which \$1,729,131 of the increase is for net pension liabilities from the City's implementation of a new accounting principle at October 1, 2014.

CITY OF AVON PARK'S OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Compensated absences	\$ 214,296	\$ 232,219	\$ 50,774	\$ 78,014	\$ 265,070	\$ 310,233
Other post-employment benefits	106,887	98,386	57,607	50,125	164,494	148,511
Net pension liabilities	1,549,235	-	179,896	-	1,729,131	-
	<u>\$ 1,870,418</u>	<u>\$ 330,605</u>	<u>\$ 288,277</u>	<u>\$ 128,139</u>	<u>\$ 2,158,695</u>	<u>\$ 458,744</u>

Additional information on the City's long-term debt and liabilities for employee benefits can be found in Notes 6, 7 and 12 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

In an effort to stimulate local growth, and attract businesses, the City continues to maintain the lowest municipal taxable millage within Highlands County at a rate of 0.30 per \$1,000 of valuation for fiscal year 2015 and 2016. The Council also lowered the fire assessment taxable rate to a 43% funding level. Other recent actions by the City Council to stimulate local growth and attract businesses were to extend by resolution a policy that allows new businesses which utilize vacant and existing buildings to receive an impact fee credit up to \$20,000, and adopting by ordinance a policy for financing of new utility system connections to facilitate for new customers desiring utility services.

The City has continued to expand its water utility system with City constructed water main extensions and the addition of over 70 new utility rate paying accounts.

- The unemployment rate for the County was 6.7 percent for the month of December 2015. The unemployment rate continues to decline which is a good sign of local financial health.

For the 2015/2016 budget cycle, franchise fees and utility tax revenues were under budgeted. Based on last year's historical data, we forecasted, but the revenue amounts materialized exceeded the budget projections.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 5,383,171	\$ 6,536,800	\$ 11,919,971
Receivables, net	126,587	744,253	870,840
Internal balances	548,226	(548,226)	-
Due from other governments	541,068	522,486	1,063,554
Prepaid items	47,858	-	47,858
Inventory	-	96,903	96,903
Real estate for sale	356,683	-	356,683
Net pension assets	309,020	-	309,020
Capital assets			
Land	322,783	883,360	1,206,143
Buildings and system	5,716,360	37,747,358	43,463,718
Equipment	3,528,270	5,411,853	8,940,123
Infrastructure	6,412,981	-	6,412,981
Construction in progress	695,120	1,473,205	2,168,325
Accumulated depreciation	(7,799,284)	(22,655,849)	(30,455,133)
Total Assets	16,188,843	30,212,143	46,400,986
Deferred Outflows of Resources			
Deferred outflows related to pensions	547,799	108,658	656,457
Total Deferred Outflows of Resources	547,799	108,658	656,457
Liabilities			
Accounts payable and accrued liabilities	527,318	302,489	829,807
Deposits	-	895,045	895,045
Due to other government	-	118,680	118,680
Unearned revenue	22,167	479,157	501,324
Noncurrent liabilities			
Due within one year	182,200	50,774	232,974
Due in more than one year	1,688,218	237,503	1,925,721
Total Liabilities	2,419,903	2,083,648	4,503,551
Deferred Inflows of Resources			
Deferred inflows related to pensions	196,806	51,793	248,599
Total Deferred Inflows of Resources	196,806	51,793	248,599
Net Position			
Net investment in capital assets	8,641,211	22,798,204	31,439,415
Restricted for			
Infrastructure	2,365,137	-	2,365,137
Community redevelopment	365,604	-	365,604
Other	14,652	-	14,652
Unrestricted	2,733,329	5,387,156	8,120,485
Total Net Position	\$ 14,119,933	\$ 28,185,360	\$ 42,305,293

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities						
General government	\$ 637,157	\$ 54,668	\$ -	\$ -	\$ (582,489)	\$ (582,489)
Public safety	3,050,435	877,551	3,120	-	(2,169,764)	(2,169,764)
Transportation	644,230	77,251	-	486,610	(80,369)	(80,369)
Culture and recreation	529,403	29,666	110,000	-	(389,737)	(389,737)
Economic environment	120,189	120	21,940	-	(98,129)	(98,129)
Total governmental activities	4,981,414	1,039,256	135,060	486,610	(3,320,488)	(3,320,488)
Business-type activities						
Water and sewer	2,921,480	4,999,340	-	63,103	-	2,140,963
Airport	805,080	340,035	68,944	718,571	-	322,470
Solid waste	1,054,301	1,368,910	-	-	-	314,609
Total business-type activities	4,780,861	6,708,285	68,944	781,674	-	2,778,042
Total primary government	\$ 9,762,275	\$ 7,747,541	\$ 204,004	\$ 1,268,284	(3,320,488)	(542,446)
General revenues						
Taxes						
Property					216,362	-
Fuel					316,577	-
Infrastructure surtax					953,252	-
Utility and communication services					1,032,831	-
Other					125,600	-
Franchise fees					610,678	-
Unrestricted intergovernmental revenue					796,371	-
Investment earnings					3,687	13,035
Miscellaneous					74,244	-
Transfers					685,409	(685,409)
Total general revenues and transfers					4,815,011	(672,374)
Change in net position					1,494,523	2,105,668
Net position, beginning of year, as restated					12,625,410	26,079,692
Net position, end of year					\$ 14,119,933	\$ 28,185,360
						\$ 42,305,293

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF AVON PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General</u>	<u>Infrastructure</u>	<u>CRA</u>	<u>(Non-major) CDBG</u>	<u>Total Governmental Funds</u>
Assets					
Equity in pooled cash and cash equivalents	\$ 2,743,616	\$ 2,361,500	\$ 278,055	\$ -	\$ 5,383,171
Receivables, net	126,587	-	-	-	126,587
Due from other governments	198,180	322,048	-	20,840	541,068
Due from other funds	142,425	-	-	-	142,425
Prepaid items	122,003	-	-	-	122,003
Real estate for sale	-	-	356,683	-	356,683
Advances to other funds	691,041	-	-	-	691,041
Total Assets	<u>\$ 4,023,852</u>	<u>\$ 2,683,548</u>	<u>\$ 634,738</u>	<u>\$ 20,840</u>	<u>\$ 7,362,978</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 204,173	\$ 318,411	\$ 2,650	\$ 2,084	\$ 527,318
Due to other funds	-	-	-	18,756	18,756
Unearned revenue	22,167	-	-	-	22,167
Advance from other fund	-	-	266,484	-	266,484
Total liabilities	<u>226,340</u>	<u>318,411</u>	<u>269,134</u>	<u>20,840</u>	<u>834,725</u>
Deferred Inflows of Resources					
Deferred inflows related to unavailable revenues	-	-	-	20,840	20,840
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,840</u>	<u>20,840</u>
Fund balances:					
Nonspendable					
Prepaid items	122,003	-	-	-	122,003
Advance to other fund	691,041	-	-	-	691,041
Restricted for					
Law enforcement	8,170	-	-	-	8,170
Bouis Fountain	6,482	-	-	-	6,482
Infrastructure	-	2,365,137	-	-	2,365,137
Community redevelopment	-	-	365,604	-	365,604
Committed for compensated absences	214,296	-	-	-	214,296
Unassigned	2,755,520	-	-	(20,840)	2,734,680
Total fund balances	<u>3,797,512</u>	<u>2,365,137</u>	<u>365,604</u>	<u>(20,840)</u>	<u>6,507,413</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,023,852</u>	<u>\$ 2,683,548</u>	<u>\$ 634,738</u>	<u>\$ 20,840</u>	<u>\$ 7,362,978</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF AVON PARK, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Fund Balances - Total Governmental Funds		\$ 6,507,413
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.		20,840
Net pension asset is not available to pay current period expenditures and therefore are not reported as assets in the governmental funds.		309,020
Deferred outflows and inflows of resources used related to pensions are applicable to future reporting periods and therefore are not reported in the funds.		
Deferred outflows related to pensions, less \$74,145 of prepaid items reclassified	473,654	
Deferred inflows related to pensions	<u>(196,806)</u>	
		276,848
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	16,675,514	
Accumulated depreciation	<u>(7,799,284)</u>	
		8,876,230
Long-term liabilities, are not due and payable in the current period and therefore, are not reported in the funds.		
OPEB liability	(106,887)	
Compensated absences	(214,296)	
Net pension liability	<u>(1,549,235)</u>	
		(1,870,418)
Net Position of Governmental Activities		<u><u>\$ 14,119,933</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General</u>	<u>Infrastructure</u>	<u>CRA</u>	<u>(Non-major) CDBG</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 1,548,831	\$ 953,252	\$ 142,538	\$ -	\$ 2,644,621
Charges for services	17,060	-	-	-	17,060
Permits, fees, and special assessment	1,448,386	-	-	-	1,448,386
Intergovernmental	1,080,624	392,329	-	-	1,472,953
Fines and forfeitures	36,421	-	-	-	36,421
Investment earnings	1,675	2,012	-	-	3,687
Miscellaneous	133,521	-	13,039	-	146,560
Total revenues	<u>4,266,518</u>	<u>1,347,593</u>	<u>155,577</u>	<u>-</u>	<u>5,769,688</u>
Expenditures					
Current					
General government	565,344	-	-	-	565,344
Public safety	3,020,714	-	-	-	3,020,714
Transportation	327,877	-	-	-	327,877
Culture and recreation	365,999	-	-	-	365,999
Economic environment	-	-	99,662	20,840	120,502
Capital outlay	15,550	987,585	-	-	1,003,135
Total expenditures	<u>4,295,484</u>	<u>987,585</u>	<u>99,662</u>	<u>20,840</u>	<u>5,403,571</u>
Excess (deficiency) of revenues over expenditures	<u>(28,966)</u>	<u>360,008</u>	<u>55,915</u>	<u>(20,840)</u>	<u>366,117</u>
Other financing sources (uses)					
Transfers in	690,716	-	5,001	-	695,717
Transfers out	(5,001)	-	-	-	(5,001)
Total other financing sources (uses)	<u>685,715</u>	<u>-</u>	<u>5,001</u>	<u>-</u>	<u>690,716</u>
Net change in fund balances	<u>656,749</u>	<u>360,008</u>	<u>60,916</u>	<u>(20,840)</u>	<u>1,056,833</u>
Fund balances, beginning of year	3,140,763	2,005,129	304,688	-	5,450,580
Fund balances, end of year	<u>\$ 3,797,512</u>	<u>\$ 2,365,137</u>	<u>\$ 365,604</u>	<u>\$ (20,840)</u>	<u>\$ 6,507,413</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF AVON PARK, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 1,056,833

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. 20,840

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 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 pensions, is reported in the statement of activities.

Pension contributions	\$ 514,854	
Pension expense	(328,154)	
		186,700

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	857,619	
Less: Current year depreciation	(631,584)	
Less: Net book value of transferred assets	(5,307)	
		220,728

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

OPEB liability	(8,501)	
Compensated absences	17,923	
		9,422

Change in Net Position of Governmental Activities \$ 1,494,523

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 1,401,873	\$ 1,498,393	\$ 1,548,831	\$ 50,438
Charges for services	41,245	41,245	17,060	(24,185)
Permits, fees, and special assessments	1,439,500	1,439,500	1,448,386	8,886
Intergovernmental	1,206,000	1,206,000	1,080,624	(125,376)
Fines and forfeitures	26,500	26,500	36,421	9,921
Investment earnings	-	-	1,675	1,675
Miscellaneous	55,500	55,500	133,521	78,021
Total revenues	<u>4,170,618</u>	<u>4,267,138</u>	<u>4,266,518</u>	<u>(620)</u>
Expenditures				
General government				
City council	24,723	29,523	26,748	2,775
City manager	145,803	175,203	166,264	8,939
Finance	120,093	101,893	89,085	12,808
Legal counsel	140,000	143,000	142,452	548
Other government services	299,666	233,916	140,795	93,121
Public safety				
Police	1,363,047	1,413,690	1,384,996	28,694
Fire	1,378,647	1,485,324	1,474,687	10,637
Code enforcement	187,831	176,531	141,031	35,500
Planning and zoning	50,000	30,500	20,000	10,500
Transportation				
Street	433,377	408,177	343,427	64,750
Culture/recreation				
Parks	600,665	636,365	203,719	432,646
Recreation	163,038	165,788	135,087	30,701
Community center	25,500	29,000	27,193	1,807
Total expenditures	<u>4,932,390</u>	<u>5,028,910</u>	<u>4,295,484</u>	<u>733,426</u>
Excess (deficiency) of revenues over expenditures	<u>(761,772)</u>	<u>(761,772)</u>	<u>(28,966)</u>	<u>732,806</u>
Other financing sources (uses)				
Transfers in	766,773	766,773	690,716	(76,057)
Transfers out	(5,001)	(5,001)	(5,001)	-
Total other financing sources (uses)	<u>761,772</u>	<u>761,772</u>	<u>685,715</u>	<u>(76,057)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>656,749</u>	<u>656,749</u>
Fund balances, beginning of year	3,140,763	3,140,763	3,140,763	-
Fund balances, end of year	<u>\$ 3,140,763</u>	<u>\$ 3,140,763</u>	<u>\$ 3,797,512</u>	<u>\$ 656,749</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
INFRASTRUCTURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 750,000	\$ 750,000	\$ 953,252	\$ 203,252
Intergovernmental	478,000	478,000	392,329	(85,671)
Investment earnings	-	-	2,012	2,012
Total revenues	<u>1,228,000</u>	<u>1,228,000</u>	<u>1,347,593</u>	<u>119,593</u>
Expenditures				
General government				
Other government services	850,000	850,000	14,400	835,600
Public safety				
Police	25,000	25,000	22,800	2,200
Fire	30,000	30,000	-	30,000
Transportation				
Streets	875,000	875,000	565,643	309,357
Culture and recreation				
Parks	760,000	760,000	384,742	375,258
Total expenditures	<u>2,540,000</u>	<u>2,540,000</u>	<u>987,585</u>	<u>1,552,415</u>
Excess (deficiency) of revenues over expenditures	<u>(1,312,000)</u>	<u>(1,312,000)</u>	<u>360,008</u>	<u>1,672,008</u>
Fund balances, beginning of year	2,005,129	2,005,129	2,005,129	-
Fund balances, end of year	<u>\$ 693,129</u>	<u>\$ 693,129</u>	<u>\$ 2,365,137</u>	<u>\$ 1,672,008</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CRA FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 118,366	\$ 118,366	\$ 142,538	\$ 24,172
Miscellaneous	-	-	13,039	13,039
Total revenues	<u>118,366</u>	<u>118,366</u>	<u>155,577</u>	<u>37,211</u>
Expenditures				
Economic environment				
Main street	184,653	184,653	73,559	111,094
South side	62,740	62,740	16,916	45,824
Airport	25,974	25,974	9,187	16,787
Total expenditures	<u>273,367</u>	<u>273,367</u>	<u>99,662</u>	<u>173,705</u>
Excess (deficiency) of revenues over expenditures	<u>(155,001)</u>	<u>(155,001)</u>	<u>55,915</u>	<u>210,916</u>
Other financing sources (uses)				
Transfers in	5,001	5,001	5,001	-
Transfers out	(100,000)	(100,000)	-	100,000
Total other financing sources (uses)	<u>(94,999)</u>	<u>(94,999)</u>	<u>5,001</u>	<u>100,000</u>
Net change in fund balances	<u>(250,000)</u>	<u>(250,000)</u>	<u>60,916</u>	<u>310,916</u>
Fund balances, beginning of year	304,688	304,688	304,688	-
Fund balances, end of year	<u>\$ 54,688</u>	<u>\$ 54,688</u>	<u>\$ 365,604</u>	<u>\$ 310,916</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015**

	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	\$ 5,337,360	\$ -	\$ 1,199,440	\$ 6,536,800
Receivables, net	652,741	5,872	85,640	744,253
Due from other governments	-	522,486	-	522,486
Inventories	86,975	9,928	-	96,903
Total current assets	<u>6,077,076</u>	<u>538,286</u>	<u>1,285,080</u>	<u>7,900,442</u>
Noncurrent assets				
Advance to other fund	-	-	470,000	470,000
Capital assets				
Land	182,893	700,467	-	883,360
Building and system	27,336,766	10,408,737	1,855	37,747,358
Equipment	3,840,493	8,866	1,562,494	5,411,853
Construction in progress	506,250	966,955	-	1,473,205
Accumulated depreciation	(17,108,272)	(4,684,496)	(863,081)	(22,655,849)
Capital assets, net of accumulated depreciation	<u>14,758,130</u>	<u>7,400,529</u>	<u>701,268</u>	<u>22,859,927</u>
Total noncurrent assets	<u>14,758,130</u>	<u>7,400,529</u>	<u>1,171,268</u>	<u>23,329,927</u>
Total Assets	<u>20,835,206</u>	<u>7,938,815</u>	<u>2,456,348</u>	<u>31,230,369</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	<u>70,997</u>	<u>-</u>	<u>37,661</u>	<u>108,658</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	127,157	117,041	58,291	302,489
Due to other funds	-	123,669	-	123,669
Compensated absences	34,777	-	15,997	50,774
Deposits	854,539	40,506	-	895,045
Due to other government	-	118,680	-	118,680
Unearned revenue - current	5,002	45,000	-	50,002
Total current liabilities	<u>1,021,475</u>	<u>444,896</u>	<u>74,288</u>	<u>1,540,659</u>
Noncurrent liabilities				
Advances from other funds	-	894,557	-	894,557
Other post-employment benefits	42,237	-	15,370	57,607
Net pension liability	115,387	-	64,509	179,896
Unearned revenue	-	429,155	-	429,155
Total non-current liabilities	<u>157,624</u>	<u>1,323,712</u>	<u>79,879</u>	<u>1,561,215</u>
Total Liabilities	<u>1,179,099</u>	<u>1,768,608</u>	<u>154,167</u>	<u>3,101,874</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	<u>30,725</u>	<u>-</u>	<u>21,068</u>	<u>51,793</u>
Net Position				
Net investment in capital assets	14,722,101	7,374,835	701,268	22,798,204
Unrestricted	4,974,278	(1,204,628)	1,617,506	5,387,156
Total Net Position	<u>\$ 19,696,379</u>	<u>\$ 6,170,207</u>	<u>\$ 2,318,774</u>	<u>\$ 28,185,360</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
Operating revenues				
Charges for services	\$ 4,984,863	\$ 280,036	\$ 1,368,668	\$ 6,633,567
Sales of fuel	-	19,907	-	19,907
Miscellaneous	14,477	40,092	242	54,811
Total operating revenues	<u>4,999,340</u>	<u>340,035</u>	<u>1,368,910</u>	<u>6,708,285</u>
Operating expenses				
Personal services	824,685	-	405,008	1,229,693
Materials, supplies, services, and other operating expenses	1,233,502	475,172	541,825	2,250,499
Depreciation	863,293	329,908	107,468	1,300,669
Total operating expenses	<u>2,921,480</u>	<u>805,080</u>	<u>1,054,301</u>	<u>4,780,861</u>
Operating income (loss)	<u>2,077,860</u>	<u>(465,045)</u>	<u>314,609</u>	<u>1,927,424</u>
Nonoperating revenues (expenses)				
Noncapital grants	-	68,944	-	68,944
Investment earnings	9,457	-	3,578	13,035
Total nonoperating revenues (expenses)	<u>9,457</u>	<u>68,944</u>	<u>3,578</u>	<u>81,979</u>
Income (loss) before transfers and capital contributions	<u>2,087,317</u>	<u>(396,101)</u>	<u>318,187</u>	<u>2,009,403</u>
Capital grants	-	718,571	-	718,571
Capital contributions - impact fees and capital contributions	68,410	-	-	68,410
Transfers out	(669,167)	(21,549)	-	(690,716)
Changes in net position	<u>1,486,560</u>	<u>300,921</u>	<u>318,187</u>	<u>2,105,668</u>
Total net position, beginning of year, as restated	18,209,819	5,869,286	2,000,587	26,079,692
Total net position, end of year	<u>\$ 19,696,379</u>	<u>\$ 6,170,207</u>	<u>\$ 2,318,774</u>	<u>\$ 28,185,360</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 4,931,023	\$ 306,633	\$ 1,337,244	\$ 6,574,900
Cash paid to suppliers	(1,276,094)	(444,693)	(533,831)	(2,254,618)
Cash paid to employees	(823,445)	-	(425,935)	(1,249,380)
Net cash provided by (used in) operating activities	<u>2,831,484</u>	<u>(138,060)</u>	<u>377,478</u>	<u>3,070,902</u>
Cash flows from noncapital financing activities				
Transfers from (to) other funds	(669,167)	392,381	(5,485)	(282,271)
Proceeds from noncapital grant	-	19,578	-	19,578
Net cash provided by (used in) noncapital financing activities	<u>(669,167)</u>	<u>411,959</u>	<u>(5,485)</u>	<u>(262,693)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(887,133)	(686,871)	(405,809)	(1,979,813)
Proceeds from capital grants	-	412,972	-	412,972
Capital contributions	28,677	-	-	28,677
Net cash used in capital and related financing activities	<u>(858,456)</u>	<u>(273,899)</u>	<u>(405,809)</u>	<u>(1,538,164)</u>
Cash flows from investing activities				
Investment earnings	9,457	-	3,578	13,035
Net increase (decreases) in cash and cash equivalents	<u>1,313,318</u>	<u>-</u>	<u>(30,238)</u>	<u>1,283,080</u>
Equity in pooled cash and cash equivalents				
beginning of year	4,024,042	-	1,229,678	5,253,720
Equity in pooled cash and cash equivalents				
end of year	<u>\$ 5,337,360</u>	<u>\$ -</u>	<u>\$ 1,199,440</u>	<u>\$ 6,536,800</u>
Noncash capital and related financing activity:				
Transfer of capital assets from governmental activities	\$ 5,307	\$ -	\$ -	\$ 5,307

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Continued)

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 2,077,860	\$ (465,045)	\$ 314,609	\$ 1,927,424
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	863,293	329,908	107,468	1,300,669
Changes in certain assets, deferred outflows liabilities and deferred inflows				
Accounts receivable	(104,078)	7,913	(31,666)	(127,831)
Inventories	4,589	(9,928)	-	(5,339)
Deferred outflows of resources	(65,612)	-	(34,275)	(99,887)
Accounts payable and accrued liabilities	(19,749)	40,407	8,953	29,611
Compensated absences	(6,002)	-	(21,238)	(27,240)
Deposits	14,603	3,685	-	18,288
Unearned revenue - current	-	(45,000)	-	(45,000)
Other post-employment benefits	5,781	-	1,701	7,482
Net pension liability	77,649	-	40,776	118,425
Deferred inflows of resources	(16,850)	-	(8,850)	(25,700)
Net cash provided by (used in) operating activities	<u>\$ 2,831,484</u>	<u>\$ (138,060)</u>	<u>\$ 377,478</u>	<u>\$ 3,070,902</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2015**

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 361,454
Receivables:	
Contribution receivable:	
Plan members	33,093
State of Florida	41,577
Accrued income	29,596
Due from broker	192,770
Total receivables	297,036
Prepaid benefit payments	41,501
Investments, at fair market value:	
Multi-sector fixed income mutual funds	188,597
Mutual funds	279,664
U.S. government securities	213,786
U.S. government and agencies	630,926
U.S. government agencies - mortgage backed securities	67,698
Corporate bonds	1,716,123
Corporate and foreign bonds	902,133
Municipal bonds	67,495
Common equity securities	6,359,642
Total investments	10,426,064
Total assets	11,126,055
Liabilities	
Due to broker	239,589
Total liabilities	239,589
Net position restricted for pensions	\$ 10,886,466

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF AVON PARK, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Pension Trust Funds
Additions	
Contributions	
City	\$ 500,571
Plan members	40,727
State of Florida	96,520
Total contributions	637,818
Investment loss	(18,510)
Less investment expenses:	
Investment management fees	47,527
Custodial fees	6,770
Performance evaluation fees	34,875
Total investment expenses	89,172
Net investment loss	(107,682)
Total additions	530,136
Deductions	
Administrative expenses	105,282
Payments to retirees and participants	492,502
Total deductions	597,784
Net decrease in net position	(67,648)
Net position restricted for pensions:	
Beginning of year	10,954,114
End of year	\$ 10,886,466

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

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

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

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

Related Organizations

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

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gain, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 —Accounting and Financial Reporting for Nonexchange Transactions.

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

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

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Fund Financial Statements

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

Fund financial statements for the primary government, which are comprised of governmental, proprietary, and fiduciary funds, are presented after the government-wide financial statements. These statements display information about major funds individually and 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. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, intergovernmental revenues and interest earned associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. When grant terms provide that the expenditure or resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. All other revenue items are considered to be measurable only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

Proprietary Funds

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

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

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

Basis of Presentation

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Governmental Major Funds

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

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

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

Non-Major Governmental Fund

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

Proprietary Major Funds

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

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

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

Other Fund Types

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Non-current Governmental Assets/Liabilities

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

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

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

Budgets are not prepared for the Pension Trust Funds.

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

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

(d) **Reconciliation of government-wide and fund financial statements**—Explanation of differences between the Governmental Fund Balance Sheet and the Government Wide Statement of Net Position:

"Total" fund balances of the City's governmental funds of \$6,507,413 differ from "net position" of governmental activities, \$14,119,933, reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Explanation of differences between the Governmental Fund Operating Fund Operating Statement and the Statement of Activities:

The "net change in fund balances" for governmental funds, an increase of \$1,056,833, differs from the "change in net position" for governmental activities, an increase of \$1,494,523, 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) **Reclassification and Eliminations**

Transfers in and transfers out between governmental activities in the amount of \$5,001 were eliminated. Due to and due from other funds between governmental activities in the amount of \$18,756 were also eliminated. In addition, advances to and advances from between governmental and business-type activities in the amount of \$266,484 and \$470,000, respectively, were also eliminated.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

(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 anytime 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 quoted market price or the best available estimate.

(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.

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

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

(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 balance sheet. Long-term interfund loans are classified as advances to/from other funds.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

(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.

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

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

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

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

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

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

(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. Currently, the City manager and three department heads are under contractual agreement. The maximum paid at separation of service in accordance with those contracts ranges from 500 to 700 hours.

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

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

Compensated absences are reported in governmental funds only if the absences have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). As accumulated sick and annual leave would not be liquidated with expendable available resources, a long-term liability of accrued sick and annual leave has been recorded in the government-wide statement of net position at September 30, 2015, 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 / Inflows of Resources** – The City has one item that qualifies for reporting as deferred outflows of resources, which is reported in the government-wide and proprietary funds statement of net position. This item is the deferred outflow related to pensions. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

The City has two 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. In the government-wide and proprietary funds statement of net position, the item is the deferred inflow related to pensions. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. In the governmental funds, a deferred inflow of resources is reported for unavailable revenues in the nonmajor governmental funds balance sheet related to grant funds that were not received within sixty days of year end.

Details on the composition of deferred inflows related to pensions 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.

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

(r) **Long-term obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

(t) **Property tax revenues**—Ad valorem taxes for the current fiscal year (beginning October 1, 2014) are assessed on July 1, 2014 based on property values of January 1, 2014. The taxes are billed in the month of November 2014 by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due November 1, 2014 (levy date) and become delinquent April 1, 2015. Tax certificates are issued for delinquent taxes by June 1, 2015 (lien date). Generally, the City collects substantially all of its current year property taxes during the year in which they are due.

(u) **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.

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

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

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

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(2) **Deposits and Investments:**

Deposits—At September 30, 2015, the carrying amount of the City’s deposits were \$10,423,454 and the bank balance was \$10,086,541. The difference between these two balances is created by timing differences due to the float on disbursements which have not cleared the bank. The City also had \$2,271 cash on hand at September 30, 2015.

Investments—As of September 30, 2015, the City’s investments were \$12,281,764. The following is a reconciliation of deposits and investments to amounts shown on the statement of net position and statement of fiduciary net position:

Deposits	\$ 10,423,454
Cash on hand	2,271
Investments	<u>12,281,764</u>
Total	<u><u>\$ 22,707,489</u></u>
Statement of Net Position:	
Equity in pooled cash and cash equivalents	\$ 11,919,971
Statement of Fiduciary Net Position:	
Cash and cash equivalents	361,454
Investments	<u>10,426,064</u>
Total	<u><u>\$ 22,707,489</u></u>

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, 2015, the City had the following investments in debt securities and related maturities:

Investment Type	Fair Value	Remaining Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Governmental and Business-type Activities:					
SBA Florida PRIME	\$1,855,700	\$1,855,700	\$ -	\$ -	\$ -
Fiduciary:					
Multi-sector fixed income mutual funds	188,597	-	-	188,597	-
Mutual Fund	279,664	-	279,664	-	-
U.S. Government securities	213,786	-	57,927	85,003	70,856
U.S. Government and agencies	630,926	10,010	465,475	85,057	70,384
Mortgage-backed securities	67,698	206	7,411	5,021	55,060
Corporate and foreign bonds	2,618,256	29,977	1,127,037	1,112,324	348,918
Municipal bonds	67,495	-	-	-	67,495
Total fair value	<u><u>\$5,922,122</u></u>	<u><u>\$1,895,893</u></u>	<u><u>\$1,937,514</u></u>	<u><u>\$1,476,002</u></u>	<u><u>\$ 612,713</u></u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Credit Risk. Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy minimizes credit risk by limiting the maximum percentage that may be invested in any one entity or instrument at any one time. Presented below is the actual rating as of September 30, 2015 for each type of investment in debt securities.

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Market Value</u>
Governmental and Business-Type Activities:		
SBA Florida PRIME	AAAm	\$ 1,855,700
Fiduciary:		
Mutual funds	Not rated	468,261
U.S. Government and agencies	AAA to AA+	894,360
U.S. Government and agencies	Not rated	18,050
Corporate and foreign bonds	AAA to AA-	1,957,353
Corporate and foreign bonds	BBB+ to BBB-	650,938
Corporate and foreign bonds	Not rated	9,965
Municipal bonds	AAA to AA	67,495
Corporate stocks	Not rated	6,359,642
Total		<u>\$ 12,281,764</u>

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

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

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

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

The City invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration of Florida (SBA) under the regulatory oversight of the State of Florida. At September 30, 2015, the carrying amount of the City's investment was \$1,855,700.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Florida PRIME is considered to be a SEC 2a-7 like fund and is reported, at amortized cost, as a cash equivalent. The weighted average days to maturity (WAM) of the Florida PRIME as of September 30, 2015 was 29 days.

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

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

(3) **Receivables:**

Receivables as of September 30, 2015 for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental		Business-type Activities		
	Activities				
	General	Water and Sewer	Airport	Solid Waste	Total
Utility and franchise taxes	\$ 123,958	\$ -	\$ -	\$ -	\$ 123,958
Code enforcement	25,443	-	-	-	25,443
Customer charges	-	987,997	22,080	185,975	1,196,052
Miscellaneous	7,706	21,158	-	-	28,864
Gross receivables	157,107	1,009,155	22,080	185,975	1,374,317
Allowance for doubtful accounts	(30,520)	(356,414)	(16,208)	(100,335)	(503,477)
	<u>\$ 126,587</u>	<u>\$ 652,741</u>	<u>\$ 5,872</u>	<u>\$ 85,640</u>	<u>\$ 870,840</u>

(4) **Capital Assets:**

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 316,174	\$ 6,609	\$ -	\$ -	\$ 322,783
Construction in progress	207,976	487,144	-	-	695,120
Total capital assets not being depreciated	<u>524,150</u>	<u>493,753</u>	<u>-</u>	<u>-</u>	<u>1,017,903</u>
Capital assets, being depreciated:					
Buildings	5,622,420	93,940	-	-	5,716,360
Equipment	3,712,242	6,441	(15,920)	174,493	3,528,270
Infrastructure	6,149,496	263,485	-	-	6,412,981
Total capital assets being depreciated	<u>15,484,158</u>	<u>363,866</u>	<u>(15,920)</u>	<u>174,493</u>	<u>15,657,611</u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

	Beginning				Ending
	Balance	Increases	Transfers	Decreases	Balance
Less accumulated depreciation for:					
Buildings	(2,919,210)	(197,055)	-	-	(3,116,265)
Equipment	(2,977,722)	(221,812)	10,613	(174,493)	(3,014,428)
Infrastructure	(1,455,874)	(212,717)	-	-	(1,668,591)
Total accumulated depreciation	<u>(7,352,806)</u>	<u>(631,584)</u>	<u>10,613</u>	<u>(174,493)</u>	<u>(7,799,284)</u>
Total capital assets being depreciated, net	<u>8,131,352</u>	<u>(267,718)</u>	<u>(5,307)</u>	<u>-</u>	<u>7,858,327</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 8,655,502</u></u>	<u><u>\$ 226,035</u></u>	<u><u>\$ (5,307)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,876,230</u></u>
 Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 883,360	\$ -	\$ -	\$ -	\$ 883,360
Construction in progress	<u>266,390</u>	<u>1,218,815</u>	<u>-</u>	<u>12,000</u>	<u>1,473,205</u>
Total capital assets not being depreciated	<u>1,149,750</u>	<u>1,218,815</u>	<u>-</u>	<u>12,000</u>	<u>2,356,565</u>
Capital assets, being depreciated:					
Buildings and system	<u>37,527,523</u>	<u>235,435</u>	<u>-</u>	<u>15,600</u>	<u>37,747,358</u>
Equipment	<u>5,299,916</u>	<u>589,651</u>	<u>15,920</u>	<u>493,633</u>	<u>5,411,854</u>
Total capital assets being depreciated	<u>42,827,439</u>	<u>825,086</u>	<u>15,920</u>	<u>509,233</u>	<u>43,159,212</u>
Less accumulated depreciation for:					
Buildings and system	(18,383,676)	(982,837)	-	(15,600)	(19,350,913)
Equipment	<u>(3,470,124)</u>	<u>(317,832)</u>	<u>(10,613)</u>	<u>(493,633)</u>	<u>(3,304,936)</u>
Total accumulated depreciation	<u>(21,853,800)</u>	<u>(1,300,669)</u>	<u>(10,613)</u>	<u>(509,233)</u>	<u>(22,655,849)</u>
Total capital assets being depreciated, net	<u>20,973,639</u>	<u>(475,583)</u>	<u>5,307</u>	<u>-</u>	<u>20,503,363</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 22,123,389</u></u>	<u><u>\$ 743,232</u></u>	<u><u>\$ 5,307</u></u>	<u><u>\$ 12,000</u></u>	<u><u>\$ 22,859,928</u></u>

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

Governmental Activities:

General government	\$ 78,065
Public safety	181,091
Transportation	236,968
Culture and recreation	<u>135,460</u>
Total depreciation expense	<u><u>\$ 631,584</u></u>

Business-type Activities:

Water and sewer	\$ 863,293
Airport	329,908
Solid waste	<u>107,468</u>
Total depreciation & amortization expense	<u><u>\$ 1,300,669</u></u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(5) **Commitments:**

(a) **Construction Commitments** - At September 30, 2015 the City had the following construction commitments:

Highway 27 beautification FDOT project	\$ 143,830
Airport drainage improvements FEMA project	675,164
Airport fuel facility FDOT project	140,442
Lake Verona, Isis and Tulane storm water drainage projects	127,905
Community Center second floor remodel	5,523
	\$1,092,864

(6) **Long-Term Liabilities:**

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2015, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Compensated absences	\$ 232,219	\$ 155,175	\$ 173,098	\$ 214,296	\$ 182,200
Total Governmental Activities					
Long-term Liabilities	\$ 232,219	\$ 155,175	\$ 173,098	\$ 214,296	\$ 182,200
Business-type Activities:					
Compensated absences	\$ 78,014	\$ 50,309	\$ 77,549	\$ 50,774	\$ 50,774
Total Business-type Activities					
Long-term Liabilities	\$ 78,014	\$ 50,309	\$ 77,549	\$ 50,774	\$ 50,774

(7) **Other Post Employment Benefits:**

The City of Avon Park does not offer a postemployment benefit plan to its employees. However, Florida State 112.0801 requires that public employers offer health insurance benefits at the current group rates to retirees (at their own expense) from the date of retirement. This requirement creates an implicit rate subsidy that falls under the requirements of GASB 43 and 45.

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(7) **Other Post Employment Benefits:** (Continued)

Funding Policy — Contribution requirements are set by City policy as approved by City Council. The City has not advanced funded or established a funding methodology for the Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Retiree Benefit Plan is financed on a pay-as-you-go basis. Retired participants pay 100% of the active premium. In fiscal year 2015, the City made no contributions to the plan, however the City's implied subsidy towards other postemployment benefit obligations is \$17,802.

Annual OPEB Cost and Net OPEB Obligation — The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the estimated amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution (ARC)	\$	36,484
Interest on net OPEB obligation		6,687
Adjustment to the ARC		(9,386)
Annual OPEB Cost		33,785
Estimated contributions made		(17,802)
Increase in net OPEB obligation		15,983
Net OPEB obligation, beginning of year		148,511
Net OPEB obligation, end of year	\$	164,494

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

Year	Annual	Percentage of	Net
Ending	OPEB	Annual	OPEB
September 30,	Cost	OPEB Cost	Obligation
September 30,	Cost	Contributed	Obligation
2015	\$ 33,785	52.8%	\$ 164,494
2014	32,259	51.3%	148,511
2013	35,667	56.1%	132,849

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

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(7) **Other Post Employment Benefits:** (Continued)

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

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

The actuarial assumptions included a 4.5 percent investment rate of return (discount rate) and an annual health care cost trend rate of 8.5 percent initially (2013), reduced by increments of 1 percent per year until reaching an ultimate trend rate of 4.5 percent in 2017. The unfunded actuarial liability is being amortized over a closed 30 year period using a level percentage of payroll with an assumption of no payroll increases. The remaining amortization period of the initial unfunded actuarial liability is 25 years.

(8) **Risk Management:**

Risk Pool

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

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

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

Individual interfund receivable and payable balances at September 30, 2015 were as follows:

Due to/from other funds:		
Receivable Fund	Payable Fund	Amount
General Fund	CDBG Fund	\$ 18,756
General Fund	Airport Fund	123,669
		\$ 142,425

**CITY OF AVON PARK, FLORIDA
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SEPTEMBER 30, 2015**

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

The loans from the General Fund to both the CDBG Fund and the Airport Fund is to provide working capital for grant project disbursements while the City is waiting to be reimbursed from grantor agencies.

Advance to/from other funds:

	Payable Fund		
	CRA Fund	Airport Fund	Total
<u>Receivable Fund</u>			
General Fund	\$ 266,484	\$ 424,557	\$ 691,041
Solid Waste Fund	-	470,000	470,000
	<u>\$ 266,484</u>	<u>\$ 894,557</u>	

The General Fund has three outstanding advances at year end. One of the advances is to the CRA Fund for the purpose of purchasing real estate on Main Street with the intention of improving the building for Main Street redevelopment purposes. The other two outstanding advances of \$124,557 and \$300,000 to the Airport Fund were used to pay off a note payable to a bank in order to reduce the City's overall borrowing costs and to provide funds for the environmental clean up of two contaminated sites at the airport. The advance from Solid Waste Fund to the Airport Fund of \$470,000 is a result of prior years operating losses.

(10) **Transfers:**

Transfers during the year ended September 30, 2015 consisted of the following:

	Transfer In:		
	General Fund	CRA Fund	Total
<u>Transfer Out:</u>			
General Fund	\$ -	\$ 5,001	\$ 5,001
Water and Sewer	669,167	-	669,167
Airport Fund	21,549	-	21,549
	<u>\$ 690,716</u>	<u>\$ 5,001</u>	

Transfers are used to 1) move the City's \$5,001 portion of ad valorem taxes the City is legally obligated to pay the CRA funds and 2) provide resources of \$690,716 from the City's enterprise operations to its General Fund as a return on the City's investment in the activity.

During the year there was a transfer of capital assets from the City's governmental activities to the Water and Sewer enterprise fund. In the statement of activities the net book value of \$5,307 for the asset is reported as a transfer out. For the Water and Sewer enterprise fund, the amount is shown as a capital contribution in the statement of revenues, expenses, and changes in fund net position; however, in the statement of activities it is reported as a transfer in.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(11) **Fund Balance Restrictions:**

Restrictions of fund balances for governmental funds at September 30, 2015 are summarized below:

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

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

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

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

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

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

Police Officers' Retirement System (PORS)

General Information about the PORS

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

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

Plan Membership – As of October 1, 2013, the members of the PORS consisted of:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	14
Active plan members	3
	<hr/>
	32
	<hr/> <hr/>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Benefits Provided – The Plan provides retirement, termination, disability and death benefits. All benefits are 100% vested after ten years of credited service. If a member terminates with less than ten 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 fifty-five with ten years of credited service, the attainment of age sixty regardless of years of service, or the attainment of twenty years of service regardless of age. Members who have attained age fifty and have completed ten years of service are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3% of the average earnings for the highest five years of the preceding ten year period times the number of years of credited service.

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

Contributions – The City Council establishes and may amend the contribution requirements of plan members. The City, taking into account the state contribution, is required by city ordinance and state statutes to make additional contributions to fund the pension plans on an actuarially sound basis and at a minimum must contribute 5 percent of employee compensation. The amounts contributed by the State to the PORS represent the City's portion of a .85 percent tax on all premiums collected on casualty insurance policies on property within the City. The City, for funding purposes, is limited by state statutes on the amount of the state contribution that can be credited toward the annual required contribution. The maximum amounts for the current fiscal year that can be credited for funding purposes to the PORS is \$59,657, of which \$54,943 was received and recognized as revenue during the year. 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, 2015 was \$139,800. Actual contributions for the year equaled \$143,433, or 102.6% of the required contributions.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary increases	6.00%
Investment rate of return	8.00%

RP-2000 Table with no projection- Disabled lives are set forward five years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset include in the pension plan's target asset allocation as of September 30, 2014 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	35.00%	2.50%
Global Fixed Income	5.00%	3.50%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 8.00 percent. 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, 2015

(12) **Employee Retirement Systems and Pension Plans:** (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 at September 30, 2013	\$ 5,769,186	\$ 5,881,747	\$ (112,561)
Changes for the year:			
Service cost	37,818	-	37,818
Interest	448,862	-	448,862
Contributions - employer	-	130,000	(130,000)
Contributions - state	-	51,390	(51,390)
Contributions - employee	-	8,173	(8,173)
Net investment income	-	565,325	(565,325)
Benefit payments, including refunds of employee contributions	(302,555)	(302,555)	-
Administrative expense	-	(71,749)	71,749
Net changes	184,125	380,584	(196,459)
Balances at September 30, 2014	\$ 5,953,311	\$ 6,262,331	\$ (309,020)

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 8.00 percent, 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 (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	7.00%	8.00%	9.00%
City's Net Pension (Asset) Liability	\$ 411,306	\$ (309,020)	\$ (899,076)

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, FL 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, 2015

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

Deferred Outflows and Inflows of Resources Related to PORS – For the year ended September 30, 2015 the City recognized a pension expense of \$15,751. On September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 82,210
City contributions subsequent to the measurement date	88,490	-
	\$ 88,490	\$ 82,210

The deferred outflows of resources related to the PORS, totaling \$88,490 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, 2016. Other amounts reported as deferred inflows of resources related to the PORS will be recognized in pension expense as follows:

Year Ending September 30	Amount
2016	\$ (20,553)
2017	(20,553)
2018	(20,553)
2019	(20,551)
2020	-
Thereafter	-

Payables to PORS Pension Plan – At September 30, 2015, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

Firefighters’ Retirement System (FFRS)

General Information about the FFRS

Plan Description – All full-time officers and firefighters of the City’s fire department participate in the FFRS, a single-employer, defined benefit pension plan that was established by City Ordinance 363 on September 14, 1953 in accordance with Chapter 175, Florida Statutes and is currently governed by city ordinance as amended from time to time. 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, 2015**

(12) **Employee Retirement Systems and Pension Plans:** (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 4 and appointed by City Council.

Plan Membership – As of October 1, 2013, the members of the FFRS consisted of:

Inactive plan members or beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	14
	25
	25

Benefits Provided – The Plan provides retirement, termination, disability and death benefits. All benefits are 100% vested after ten years of credited service. If a member terminates with less than ten years of credited service he or she will receive a refund of member contributions with no interest. Normal retirement is the earlier of age fifty-five with ten years of credited service or age fifty-two with twenty-five years of credited service. Members who have attained age fifty and have completed ten years of service are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3.16% of the average earnings for the highest five years of the preceding ten year period times the number of years of credited service.

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

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 percent 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. The maximum amounts for the current fiscal year that can be credited for funding purposes to the FFRS is \$37,096, of which \$41,577 was received and recognized as revenue during the year. 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, 2015 was \$406,922. Actual contributions for the year equaled \$449,177, or 110.4% of the required contributions.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2014, 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, 2015

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

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary increases	6.00%
Investment rate of return	7.75%

RP-2000 Combined Healthy Mortality Table, sex distinct - disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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, 2014 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	30.00%	2.50%
Global Fixed Income	5.00%	3.50%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. 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, 2015

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

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2013	\$ 5,766,580	\$ 4,088,121	\$ 1,678,459
Changes for the year:			
Service cost	146,250	-	146,250
Interest	445,552	-	445,552
Change in excess State money	9,205		
Contributions - employer	-	342,083	(342,083)
Contributions - state	-	46,301	(46,301)
Contributions - employee	-	33,750	(33,750)
Net investment income	-	439,120	(439,120)
Benefit payments, including refunds of employee contributions	(203,603)	(203,603)	-
Administrative expense	-	(53,989)	53,989
Net changes	397,404	603,662	(206,258)
Balances at September 30, 2014	\$ 6,163,984	\$ 4,691,783	\$ 1,472,201

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 7.75 percent, 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 (6.75 percent) or 1 - percentage-point higher (8.75 percent) than the current rate:

	Current		
	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
City's Net Pension Liability	\$ 2,195,495	\$ 1,472,201	\$ 864,980

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, FL 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, 2015**

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

Deferred Outflows and Inflows of Resources Related to FFRS – For the year ended September 30, 2015 the City recognized a pension expense of \$229,584. On September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 93,759
City contributions subsequent to the measurement date	412,081	-
	\$ 412,081	\$ 93,759

The deferred outflows of resources related to the FFRS, totaling \$412,081 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, 2016. Other amounts reported as deferred inflows of resources related to the FFRS will be recognized in pension expense as follows:

Year Ending September 30	Amount
2016	\$ (23,440)
2017	(23,440)
2018	(23,440)
2019	(23,439)
2020	-
Thereafter	-

Payables to FFRS Pension Plan – At September 30, 2015, the City reported a payable of \$41,577 for the State’s 1.85% tax on premiums on property insurance policies that was earned but not yet received.

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 (DROP) 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.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Essentially all regular employees of the City who are not covered by the Police Officer's Retirement System, the Firefighters' Retirement System or the defined contribution plan are eligible to enroll as members of the State-administered FRS. Provisions related 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' Web site (www.dms.myflorida.com).

The City's pension expense for both plans totaled \$30,118 for the fiscal year ended September 30, 2015.

FRS Pension Plan

Plan Description – The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with 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 and *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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. All members enrolled in the 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. Members of the Plan may include up to 4 years of credit for military service toward creditable service. The 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 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 the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

Benefits Provided – Benefits under the 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 5 highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 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. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 or more years of service	1.68
Regular Class members initially enrolled 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 or more years of service	1.68
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent 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 three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

Class	July 1, 2014		July 1, 2015	
	Percent of Gross Salary		Percent of Gross Salary	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.0%	7.37%	3.0%	7.26%
FRS, Senior Management Services	3.0%	21.14%	3.0%	21.43%
FRS, DROP	0.0%	12.28%	0.0%	12.88%
FRS, Retiree not eligible	0.0%	3.80%	0.0%	4.31%

Notes: (1) Employer rates include 1.26 percent and 1.66 percent for the postemployment health insurance subsidy for the period October 1, 2014 through June 30, 2015 and July 1, 2015 through September 30, 2015, respectively. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the investment plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The City's contributions to the Pension Plan totaled \$34,552 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$136,746 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was .001058703 percent, which was an increase of .00044265 percent from its proportionate share measured as of June 30, 2014.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$16,990. 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	\$ 14,436	\$ 3,243
Change of assumptions	9,076	-
Net difference between projected and actual earnings on Pension Plan investments	-	32,653
Changes in proportion and differences between City's Pension Plan contributions and proportionate share of contributions	58,095	16,116
City's Pension Plan contributions subsequent to the measurement date	11,053	-
Total	<u>\$ 92,660</u>	<u>\$ 52,012</u>

The deferred outflows of resources related to the Pension Plan, totaling \$11,053 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2016	\$ (3,605)
2017	(3,605)
2018	(3,605)
2019	23,335
2020	10,344
Thereafter	6,731

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation 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 (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			

Assumed Inflation - Mean 2.60% 2.00%

(1) - As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. 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 discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's proportionate share of the net pension liability (asset)	\$ 354,339	\$ 136,746	\$ (44,328)

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report at www.dms.myflorida.com.

Payables to the Pension Plan - At September 30, 2015, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

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 September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.26% and 1.66%, respectively. 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$7,312 for the fiscal year ended September 30, 2015.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$120,184 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City’s proportionate share of the net pension liability was based on the City’s 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the City’s proportionate share was .001178455 percent, which was an increase of .000616053 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$13,128. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 9,455	\$ -
Net difference between projected and actual earnings on HIS Plan investments	65	-
Changes in proportion and differences between City’s HIS Plan contributions and proportionate share of contributions	50,541	20,683
City’s HIS Plan contributions subsequent to the measurement date	3,230	-
Total	<u>\$ 63,291</u>	<u>\$ 20,683</u>

The deferred outflows of resources related to the HIS Plan, totaling \$3,230 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ending September 30	Amount
2016	\$ 5,821
2017	5,821
2018	5,821
2019	5,807
2020	5,801
Thereafter	10,307

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

Actuarial Assumptions – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.80 %

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
City's proportionate share of the net pension liability	\$ 136,944	\$ 120,184	\$ 106,209

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report at www.dms.myflorida.com.

Payables to the Pension Plan - At September 30, 2015, the City reported no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

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'

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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 percent of the employee's salary each month. The City Council by ordinance maintains the authority to establish new and amend existing benefit provisions of the plan and contribution requirements.

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

The City's payroll for the year ended September 30, 2015 for eligible employees participating in the plan was \$669,937. The City's total payroll for all employees was \$2,287,249.

As of September 30, 2015, the City's contributions to the plan were \$72,845 on behalf of the 25 employees participating. The total voluntary employee contributions to the plan amounted to \$12,907.

(13) **Deficits:**

The CDBG Fund has an unassigned fund balance deficit of \$20,840. This deficit is due to grant revenues earned not being received within sixty days of year end and, therefore, not yet available and recognized as revenue under the current financial resources measurement focus.

The Airport Fund has an unrestricted net position deficit of \$1,204,628 September 30, 2015. This deficit is primarily due to the airport's operating expenses exceeding operating revenues.

(14) **Leases:**

The City is the lessor of various types of industrial buildings and hangars at the airport over periods ranging from month to month to ten years. All of the City's leases are classified as operating leases. For the year ended September 30, 2015 the City received rent revenue from operating leases of \$242,091.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

The following is a schedule for the next five years of minimum future rent revenues from non-cancelable operating leases as of September 30, 2015:

Year Ending September 30	Amount
2016	\$ 103,272
2017	103,272
2018	103,272
2019	103,272
2020	103,272

At September 30, 2015 the value of buildings and hangars held for leasing was as follows:

Cost	\$ 3,645,447
Accumulated depreciation	<u>(1,850,130)</u>
Net book value	<u><u>\$ 1,795,317</u></u>

The City has entered into a lease with a tenant on October 1, 2003 which expires on September 30, 2023, unless extended for another ten year term. The City's lease provides the tenant the option to renew for two additional terms of ten years. The City also agreed to allow tenant to offset against rent due by 100% of the general improvements and 65% of the tenant use specific improvements made to the premises during the first ten year lease term, including costs of engineering and financing. Said improvements, engineering and financing shall be prorated over the initial ten year term of the lease, but shall offset not more than \$45,000 of the rent per year. If tenant is unable to recoup its investments during the initial term, this offset shall continue into successive option terms, if said options are exercised. Any rental reduction for tenant specific improvements will not begin until the second term. At September 30, 2015, \$323,615, \$150,540, and \$73,105 of general improvements, tenant specific improvements, and financing costs, respectively, were available for rental offsets in the future. At September 30, 2015, \$474,155 is reported in the Airport fund as unearned revenue in connection with the rental offsets available to use in the future by the tenant.

(15) **Contingencies:**

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(16) Related Party Transactions:

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

The Avanti Company, a business owned by Councilman Heston's brother-in-law, that sells water meters to the City. The meters were procured in compliance with the City's purchasing policies and payments for the year amounted to \$19,840. The Avanti Corporation is the sole provider of the Amco Automated Meter Radio System (AMR Technology). This system has been the standard utilized by the City's water system for well over a decade.

Sherco Inc, a business solely owned by Mayor Schuler's spouse that provides land surveying services to the City. The services were procured in compliance with the City's purchasing policies and payments for the year amounted to \$6,561. Mr. Schuler has been and continues to be the only State licensed surveying firm within the City limits of Avon Park.

(17) Implementation of New Accounting Principle:

The City sponsors two single employer defined benefit plans and also participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by Florida Division of Retirement. As a sponsor and participating employer, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This statement establishes requirements for measuring, recognizing, and disclosing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The implementation of this standard requires employers that sponsor and that are participating in cost-sharing multiple-employer defined benefit pension plans to report the employer's net pension liability and proportionate share of the net pension liability and related pension amounts to the defined benefit pension plans and resulted restatement of beginning net position and the recognition of pension liabilities, deferred outflows of resources, and deferred inflows of resources in the financial statements. Additionally, implementation required changes to the notes to financials statements and required supplemental information for pension plans.

In addition, the City implemented GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment to GASB Statement No.68. This statement requires, at the implementation of GASB No. 68, the recognition of beginning deferred outflow of resources for contributions to a defined benefit pension plan made subsequent to the measurement date of the beginning net pension obligation.

The City's implementation of GASB No. 68 and GASB No. 71 resulted in the restatement of beginning net position as of October 1, 2014 as follows:

	Statement of Net Position		Statement of Net Position	
	Primary Government		Proprietary Funds	
	Governmental Activities	Business-type Activities	Water and Sewer Fund	Solid Waste Fund
Net position, as previously reported				
October 1, 2014	\$ 13,909,087	\$ 26,209,885	\$ 18,289,747	\$ 2,050,852
Prior period adjustment - net pension asset, 10/1/2014	33,447	-	-	-
Prior period adjustment - net pension liability, 10/1/2014	(1,758,371)	(61,471)	(37,738)	(23,733)
Prior period adjustment - deferred outflows	473,285	8,771	5,385	3,386
Prior period adjustment - deferred inflows	(32,038)	(77,493)	(47,575)	(29,918)
Net position, restated October 1, 2014	<u>\$ 12,625,410</u>	<u>\$ 26,079,692</u>	<u>\$ 18,209,819</u>	<u>\$ 2,000,587</u>

CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB FUNDING PROGRESS
SEPTEMBER 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded / (Excess funded) AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll ((b-a)/c))
10/01/12	\$ -	\$ 284,853	\$ 284,853	- %	\$2,384,563	12 %
10/01/09	-	369,847	369,847	-	N/A	N/A

CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEMS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>PORS</u>	<u>FFRS</u>
Total pension liability		
Service cost	\$ 37,818	\$ 146,250
Interest	448,862	445,552
Change in excess State money	-	9,205
Benefit payments, including refunds of employee contributions	(302,555)	(203,603)
Net change in total pension liability	<u>184,125</u>	<u>397,404</u>
Total pension liability, October 1, 2013	<u>5,769,186</u>	<u>5,766,580</u>
Total pension liability, September 30, 2014	<u>\$ 5,953,311</u>	<u>\$ 6,163,984</u>
Plan fiduciary net position		
Contributions - employer	\$ 130,000	\$ 342,083
Contributions - State of Florida	51,390	46,301
Contributions - employee	8,173	33,750
Net investment income	565,325	439,120
Benefit payments and refunds	(302,555)	(203,603)
Administrative expenses	(71,749)	(53,989)
Net change in plan fiduciary net position	<u>380,584</u>	<u>603,662</u>
Plan fiduciary net position, October 1, 2013	<u>5,881,747</u>	<u>4,088,121</u>
Plan fiduciary net position, September 30, 2014	<u>\$ 6,262,331</u>	<u>\$ 4,691,783</u>
Net pension (asset) liability	<u>\$ (309,020)</u>	<u>\$ 1,472,201</u>
Plan fiduciary net position as a percentage of the total pension liability	105.19%	76.12%
Covered employee payroll	\$ 157,429	\$ 677,155
Net pension liability as a percentage of covered employee payroll	-196.29%	217.41%

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

Notes to Schedule

There have been no changes in benefits

There have been no changes in assumptions

For fiscal year 2014, the covered employee payroll figures were based on pensionable salary

CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
POLICE OFFICERS' RETIREMENT SYSTEMS
SCHEDULE OF CITY CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Year Ended September 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 139,880	\$ 143,433	\$ 3,553	\$ 152,797	93.87%
2014	178,966	181,390	2,424	157,429	115.22%

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

Notes to Schedule

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

Valuation date - for September 30, 2015 contributions, the valuation date was as of October 1, 2013.

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

Amortization method - level dollar, closed.

Remaining amortization period - 29 years as of the October 1, 2013 valuation.

Asset valuation method - historical geometric four year average market value (net of fees).

Inflation - 3%

Salary increases - 6%

Investment rate of return - 8.0%

Payroll growth - None

Cost of living - 1.46% automatic lifetime COLA, beginning one year after the normal retirement date for all retirees and beneficiaries except for pre-retirement death beneficiaries.

Retirement age - earlier of age 55 with 10 years of service, the completion of 20 years of credited service, regardless of age or attainment of age 60.

Mortality - RP - 2000 mortality with no projection.

Termination and disability rate table:

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming disabled During the Year</u>
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FIREFIGHTERS' RETIREMENT SYSTEMS
SCHEDULE OF CITY CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Year Ended September 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 406,922	\$ 449,177	\$ 42,255	\$ 749,322	59.94%
2014	379,179	379,179	-	677,155	56.00%

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

Notes to Schedule

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

Valuation date - for September 30, 2015 contributions, the valuation date was as of October 1, 2013.

Actuarial cost method - the entry age method is used.

Amortization method - level percentage of pay, closed.

Remaining amortization period - 25 years as of the October 1, 2013 valuation.

Asset valuation method - historical geometric four year average market value (net of fees).

Inflation - 3%

Salary increases - 6%

Investment rate of return - 7.75%

Payroll growth - 4.2%

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 and age 58.

Retirement age - earlier of age 55 with 10 years of service, or age 52 with 25 years of service.

It is assumed member will continue employment for one additional year.

Mortality - RP - 2000 mortality, sex distinct.

Termination and disability rate table:

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming disabled During the Year</u>
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
FISCAL YEAR 2015*
(UNAUDITED)

	2015
City's proportion of the net pension liability*	0.0010587%
City's proportionate share of the net pension liability*	\$ 136,746
City's covered payroll*	\$ 360,509
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.93%
Plan fiduciary net position as a percentage of the total pension liability	92.00%

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

*Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See Independent Auditor's Report and accompanying notes to this schedule.

CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)

	2015
Contractually required contribution	\$ 34,552
Contributions in relation to the contractually required contribution	34,552
Contributions deficiency (excess)	\$ -
 City's covered-employee payroll	 \$ 518,601
Contributions as a percentage of covered-employee payroll	6.66%

*Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See Independent Auditor's Report and accompanying notes to this schedule.

CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PROGRAM
FISCAL YEAR 2015*
(UNAUDITED)

	2015
City's proportion of the net pension liability*	0.0011785%
City's proportionate share of the net pension liability*	\$ 120,184
City's covered payroll*	\$ 360,509
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.34%
Plan fiduciary net position as a percentage of the total pension liability	0.50%

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

*Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See Independent Auditor's Report and accompanying notes to this schedule.

CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)

	2015
Contractually required contribution	\$ 7,312
Contributions in relation to the contractually required contribution	7,312
Contributions deficiency (excess)	\$ -
City's covered-employee payroll	\$ 518,601
Contributions as a percentage of covered-employee payroll	1.41%

*Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See Independent Auditor's Report and accompanying notes to this schedule.

CITY OF AVON PARK, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FLORIDA RETIREMENT SYSTEM PENSION PLAN AND
HEALTH INSURANCE SUSIDY PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)

The following are relevant to the Florida Retirement System (FRS) Pension Plan and Health Insurance Subsidy (HIS) Program:

1. Actuarial assumptions for defined benefit plans are reviewed annual by the Florida Retirement System. The FRS Pension Plan has a valuation performed annually whereas the HIS Program has a valuation performed biennially which was updated for GASB reporting in the year a valuation was not performed. The most recent experience study for the pension plan was completed in 2014 for the period of July 1, 2008 through June 30, 2013.
2. Method and assumptions used in calculation of actuarially determined contributions:

FRS Pension Plan

Valuation Date	July 1, 2014	July 1, 2015
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Investment Rate of Return	7.65%	7.65%
Projected Salary Increases	3.25%	3.25%
Rate of Inflation Adjustment	2.60%	2.60%

Mortality Assumption:

Generational RP-2000 with Projection Scale BB Tables

HIS Program

Valuation Date	July 1, 2014	July 1, 2015
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Discount Rate	4.29%	3.80%
Investment Rate of Return	N/A	N/A
Projected Salary Increases	3.25%	3.25%
Rate of Inflation Adjustment	2.60%	2.60%

Mortality Assumption:

Generational RP-2000 with Projection Scale BB Tables

CRA FUNDS

FOLLOWING IS A SCHEDULE OF DEPOSITS AND WITHDRAWALS AS REQUIRED BY SECTION 163.387(8), FLORIDA STATUTES. THIS SCHEDULE PROVIDES A SOURCE FOR ALL DEPOSITS AND A PURPOSE FOR ALL WITHDRAWALS AS PRESCRIBED FOR EACH CRA DISTRICT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2015.

**CITY OF AVON PARK, FLORIDA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - CRA FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Community Redevelopment Agency - Main Street Fund	Community Redevelopment Agency - South Side Fund	Community Redevelopment Agency - Airport Fund	Total CRA Funds
Revenues				
Tax increment revenues				
Avon Park transfer	\$ 3,432	\$ 516	\$ 1,053	\$ 5,001
Highlands County	97,808	14,720	30,010	142,538
Miscellaneous	1,220	11,819	-	13,039
Total revenues	<u>102,460</u>	<u>27,055</u>	<u>31,063</u>	<u>160,578</u>
Expenditures				
Personal services	23,183	7,263	6,957	37,403
Professional services	9,980	5,367	2,090	17,437
Miscellaneous	557	535	140	1,232
Repairs and maintenance	4,530	-	-	4,530
Grants and subsidies	35,309	3,751	-	39,060
Total expenditures	<u>73,559</u>	<u>16,916</u>	<u>9,187</u>	<u>99,662</u>
Net change in fund balances	<u>28,901</u>	<u>10,139</u>	<u>21,876</u>	<u>60,916</u>
Fund balances, beginning of year	123,440	41,968	139,280	304,688
Fund balances, end of year	<u>\$ 152,341</u>	<u>\$ 52,107</u>	<u>\$ 161,156</u>	<u>\$ 365,604</u>

See Independent Auditor's Report

CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2015

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
Assets			
Cash and cash equivalents	\$ 275,301	\$ 86,153	\$ 361,454
Receivables:			
Contribution receivable:			
Plan members	-	33,093	33,093
State of Florida	-	41,577	41,577
Accrued income	18,595	11,001	29,596
Due from broker	109,138	83,632	192,770
Total receivables	<u>127,733</u>	<u>169,303</u>	<u>297,036</u>
Prepaid benefit payments	23,562	17,939	41,501
Investments, at fair market value			
Multi-sector fixed income mutual funds	-	188,597	188,597
Mutual funds	279,664	-	279,664
U.S. government securities	213,786	-	213,786
U.S. government and agencies	-	630,926	630,926
U.S. government agencies - mortgage back securities	67,698	-	67,698
Corporate bonds	1,716,123	-	1,716,123
Corporate and foreign bonds	-	902,133	902,133
Municipal bonds	67,495	-	67,495
Common equity securities	3,397,307	2,962,335	6,359,642
Total investments	<u>5,742,073</u>	<u>4,683,991</u>	<u>10,426,064</u>
Total assets	<u>6,168,669</u>	<u>4,957,386</u>	<u>11,126,055</u>
Liabilities			
Due to broker	145,275	94,314	239,589
Total liabilities	<u>145,275</u>	<u>94,314</u>	<u>239,589</u>
Net position restricted for pensions	<u>\$ 6,023,394</u>	<u>\$ 4,863,072</u>	<u>\$ 10,886,466</u>

See Independent Auditor's Report

CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
Additions			
Contributions			
City	\$ 88,490	\$ 412,081	\$ 500,571
Plan members	7,634	33,093	40,727
State of Florida	54,943	41,577	96,520
Total contributions	<u>151,067</u>	<u>486,751</u>	<u>637,818</u>
Investment income (loss)	<u>(19,027)</u>	<u>517</u>	<u>(18,510)</u>
Less investment expenses:			
Investment management fees	29,242	18,285	47,527
Custodial fees	3,812	2,958	6,770
Performance evaluation fees	19,375	15,500	34,875
Total investment expenses	<u>52,429</u>	<u>36,743</u>	<u>89,172</u>
Net investment loss	<u>(71,456)</u>	<u>(36,226)</u>	<u>(107,682)</u>
Total additions	<u>79,611</u>	<u>450,525</u>	<u>530,136</u>
Deductions			
Administrative expenses	39,185	66,097	105,282
Payments to retirees and participants	279,363	213,139	492,502
Total deductions	<u>318,548</u>	<u>279,236</u>	<u>597,784</u>
Net increase (decrease) in net position	(238,937)	171,289	(67,648)
Net position restricted for pensions:			
Beginning of year	6,262,331	4,691,783	10,954,114
End of year	<u>\$ 6,023,394</u>	<u>\$ 4,863,072</u>	<u>\$ 10,886,466</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avon Park, Florida (City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 15, 2016. Our report includes a reference to other auditors who audited the financial statements of the pension trust funds, as described in our report on the City's financial statements. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

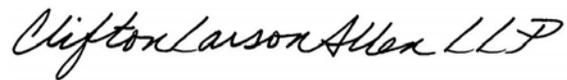
Honorable Mayor and
Members of the City Council
City of Avon Park, Florida

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Sebring, Florida
June 15, 2016

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Avon Park, Florida (City), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 15, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 15, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

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

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

Financial Condition (Continued)

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. See finding 2015-001 in the accompanying schedule of findings and responses.

Purpose of this Letter

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



CliftonLarsonAllen LLP

Sebring, Florida
June 15, 2016

**CITY OF AVON PARK
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

STATUS OF PRIOR YEAR FINDINGS

Prior Year Findings		Current Year Status			Current	2013-2014	2012-2013
		Cleared	Partially	Not	Year	Year	Year
			Cleared	Cleared	Cleared	Finding #	Finding #
Capital Assets Subsidiary Ledger and Physical Inventory	Material Weakness	X			N/A	2014-001	2013-003
Community Redevelopment Districts	Noncompliance			X	2015-001	2014-002	2013-004
Interfund Loans	Financial Management	X			N/A	2014-003	2013-009
Security for Public Deposits	Noncompliance	X			N/A	2014-004	N/A

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2015-001 – Community Redevelopment Districts (Previously Identified as Finding 2014-002)

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

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

Effect: Certain expenditures could be interpreted as unallowable.

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

Status of Finding: In May 2013, the CRA Board authorized a planning and management resource firm to update all three CRA plans, and funding was allocated for the purpose. During the current year, the plans have been in development; however, they were not complete as of September 30, 2015.

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

Views of Responsible Officials: Through an extensive public involvement process, the City Council passed resolutions and an ordinance on April 11th, 2016, which effectively updated the CRA plans. The updated plans are available on the City’s web-site. We have been made aware of some concerns by the Highlands County Property Appraiser with the ordinance, which will be corrected on 2015/2016. Nonetheless, the plans have been approved and updated.



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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Avon Park, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2015. Our examination did not include the investments in the Pension Trust Fund because these financial statements were audited by other auditors. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sebring, Florida
June 15, 2016