

CITY OF AVON PARK, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

**CITY OF AVON PARK, FLORIDA
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SEPTEMBER 30, 2011**

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INDEPENDENT AUDITORS' REPORT

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

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 City of Avon Park, Florida (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Avon Park, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Avon Park Firefighters' Retirement System and Police Officers' Retirement System, which represent one-hundred percent of the assets, net assets, and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included in the City of Avon Park Firefighters' Retirement System and Police Officers' Retirement System, is based on the reports 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously 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 City of Avon Park, Florida, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparisons for the general, infrastructure, and CRA funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of City of Avon Park, Florida'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 results 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Avon Park, Florida's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The Combining Schedule of Deposits and Withdrawals – CRA Funds is presented for purposes of additional analysis as required by Florida by *Florida Statutes 163.387(8) Redevelopment Trust Fund*. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the information is fairly stated in all material respects in relation to the financial statements as a whole.

James Moore & Co.

Daytona Beach, Florida
March 30, 2012

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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$33,385,935. Of this amount, \$2,849,301 (unrestricted net assets) has a positive balance. In the past this amount has been negative balance. This amount has increased by \$1,348,460 from last fiscal year's balance. This shows the City is improving their net assets.
- As of the close of the current fiscal year, the City reported combined governmental ending fund balances of \$3,470,444 a decrease of \$870,263 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,439,629 or 26.4 percent of total general fund expenditures.
- The City's non-current liabilities decreased by \$2,541,575 (39%) during the current year. The factors in this change are principal payments of \$500,135, paying off a bond and two garbage trucks for a total debt payoff of \$1,298,230. In addition, the \$791,517 Landfill closure liability was removed based on the revised state permit.

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 assets presents information on all the City's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, physical environment, culture and recreation, and economic environment. The business-type activities of the City include water and sewer, solid waste, and airport 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 six 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, CRA funds (Main Street, South Side and Airport) infrastructure fund, and Community Development Block Grant fund. The general fund, CRA funds and the infrastructure fund are considered to be major funds.

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

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

Proprietary Funds. The City of Avon Park maintains three proprietary funds. 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 – 55 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 benefits to its employees. Required supplementary information can be found on pages 57 – 58 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$33,385,935 at the close of the most recent fiscal year.

The largest portion of the City's net assets (82 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is 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 assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$2,849,301. The past year the unrestricted net assets were a negative balance due to a cash deficit in the airport funds.

CITY OF AVON PARK'S NET ASSETS

	Governmental Activities 2010	Governmental Activities 2011	Business- type Activities 2010	Business- type Activities 2011	Total 2010	Total 2011
Current and other assets	\$4,865,038	\$4,025,042	\$3,998,087	\$4,982,937	\$ 8,863,125	\$ 9,007,979
Capital assets	<u>9,641,265</u>	<u>9,606,545</u>	<u>20,054,003</u>	<u>20,497,211</u>	<u>29,695,268</u>	<u>30,103,756</u>
Total assets	<u>14,506,303</u>	<u>13,631,587</u>	<u>24,052,090</u>	<u>25,480,148</u>	<u>38,558,393</u>	<u>39,111,735</u>
Long-term liabilities outstanding	1,461,525	394,765	5,072,567	3,597,762	6,534,102	3,992,527
Other liabilities	<u>346,387</u>	<u>393,674</u>	<u>880,010</u>	<u>1,339,599</u>	<u>1,226,397</u>	<u>1,733,273</u>
Total liabilities	<u>1,807,922</u>	<u>788,439</u>	<u>5,952,577</u>	<u>4,937,361</u>	<u>7,760,499</u>	<u>5,725,800</u>
Net assets:						
Invested in capital assets, net of related debt	8,535,019	9,606,545	16,667,811	17,736,626	25,202,830	27,343,171
Restricted	2,643,382	1,690,795	1,450,841	1,502,668	4,094,223	3,193,463
Unrestricted	<u>1,519,980</u>	<u>1,545,808</u>	<u>(19,139)</u>	<u>1,303,493</u>	<u>1,500,841</u>	<u>2,849,301</u>
Total net assets	<u>\$12,698,381</u>	<u>\$12,843,148</u>	<u>\$18,099,513</u>	<u>\$20,542,787</u>	<u>\$30,797,894</u>	<u>\$33,385,935</u>

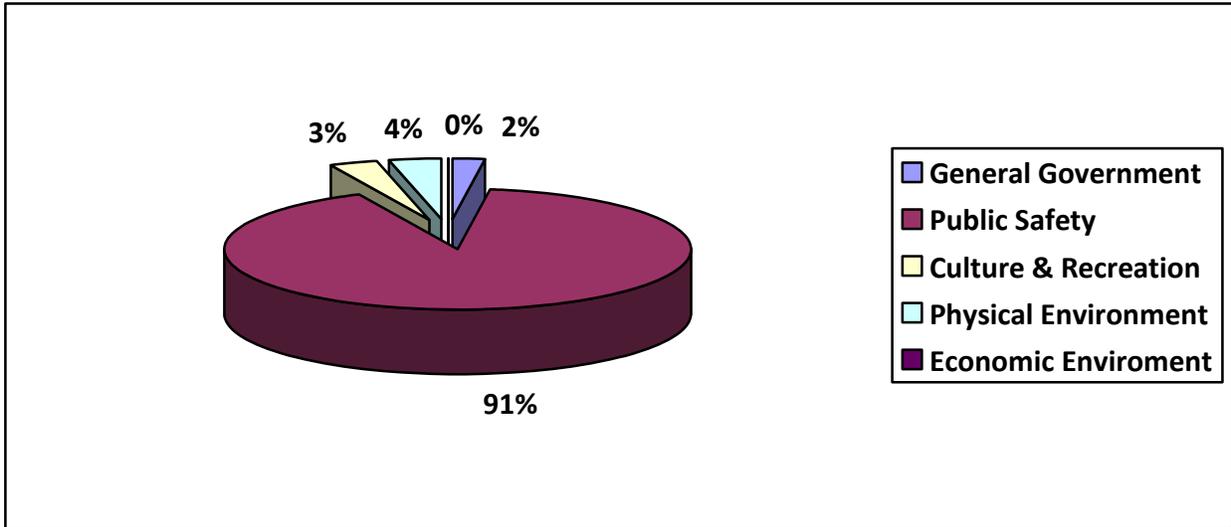
CITY OF AVON PARK'S CHANGES IN NET ASSETS

	Governmental Activities 2010	Governmental Activities 2011	Business- Type Activities 2010	Business- Type Activities 2011	Total 2010	Total 2011
Revenues:						
Program revenues:						
Charges for services	\$1,214,420	\$1,149,510	\$5,862,266	\$5,949,592	\$ 7,076,686	\$7,099,102
Operating grants and contributions	573,842	685,009	-	791,517	573,842	1,476,526
Capital grants and contributions	271,478	90,375	309,868	279,674	581,346	370,049
General Revenues:						
Property taxes	1,511,158	1,389,384	-	-	1,511,158	1,389,384
Other taxes	2,322,137	2,214,336	-	-	2,322,137	2,214,336
Other	<u>983,429</u>	<u>957,766</u>	<u>29,194</u>	<u>51,878</u>	<u>1,012,623</u>	<u>1,009,644</u>
Total revenues	<u>6,876,464</u>	<u>6,486,380</u>	<u>6,201,328</u>	<u>7,072,661</u>	<u>13,077,792</u>	<u>13,559,041</u>
Expenses:						
General government	686,201	810,534	-	-	686,201	810,534
Public Safety	3,748,882	3,815,300	-	-	3,748,882	3,815,300
Physical Environment	651,747	711,882	-	-	651,747	711,882
Culture and Recreation	630,786	702,448	-	-	630,786	702,448
Economic Environment	153,723	214,288	-	-	153,723	214,288
Interest on long-term debt	66,204	45,728	-	-	66,204	45,728
Water/Sewer	-	-	2,742,031	2,917,132	2,742,031	2,917,132
Airport	-	-	611,963	670,640	611,963	670,640
Solid Waste	-	-	<u>1,089,288</u>	<u>1,083,048</u>	<u>1,089,288</u>	<u>1,083,048</u>
Total expenses	<u>5,937,543</u>	<u>6,300,180</u>	<u>4,443,282</u>	<u>4,670,820</u>	<u>10,380,825</u>	<u>10,971,000</u>
Increase in net assets before transfers	938,921	186,200	1,758,046	2,401,841	2,696,967	2,588,041
Transfers	<u>(132,329)</u>	<u>(41,433)</u>	<u>132,329</u>	<u>41,433</u>	-	-
Increase in net assets	806,592	144,767	1,890,375	2,443,274	2,696,967	2,588,041
Net assets, beginning	<u>11,891,789</u>	<u>12,698,381</u>	<u>16,209,138</u>	<u>18,099,513</u>	<u>26,854,695</u>	<u>30,797,894</u>
Restated						
Net assets, ending	<u>\$12,698,381</u>	<u>\$12,843,148</u>	<u>\$18,099,513</u>	<u>\$20,542,787</u>	<u>\$30,797,894</u>	<u>\$33,385,935</u>

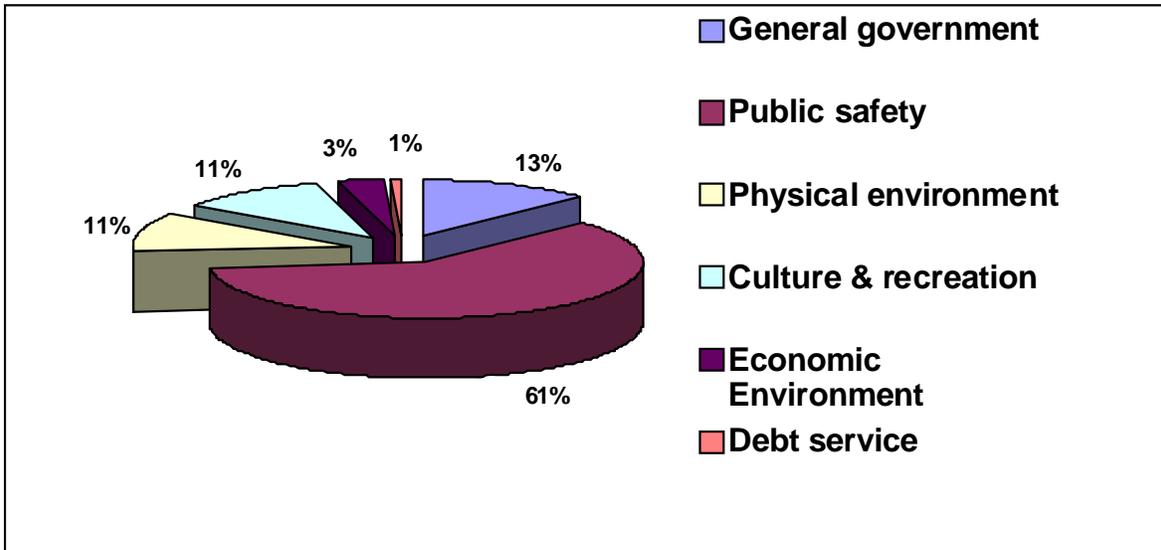
Governmental Activities. The City's governmental activities had net expenses of \$4,375,286. These services are intended to be primarily funded by taxes, as opposed to charges for services and grants. The City's business-type activities had net revenue of \$2,349,963.

Property taxes decreased by \$121,774 (8 percent) during the year. Operating grants and contributions and capital grants and contributions decreased by \$69,936. This was due to the completion of two FRDAP grants.

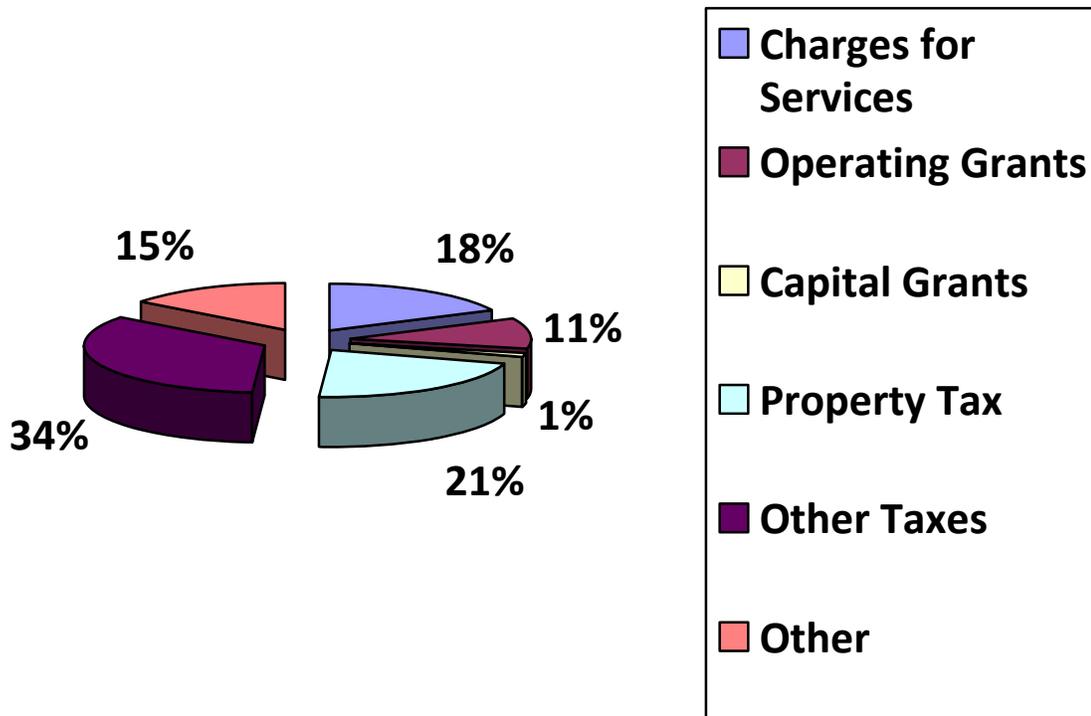
**PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES
2010-11 Fiscal Year**



**PROGRAM EXPENSES – GOVERNMENTAL ACTIVITIES
2010-11 Fiscal Year**



REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES
2010-11 Fiscal Year



Business-type Activities. Business-type activities account for 62 percent of the City’s net assets. 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 and interest. The airport revenues are derived from rental of the facilities.

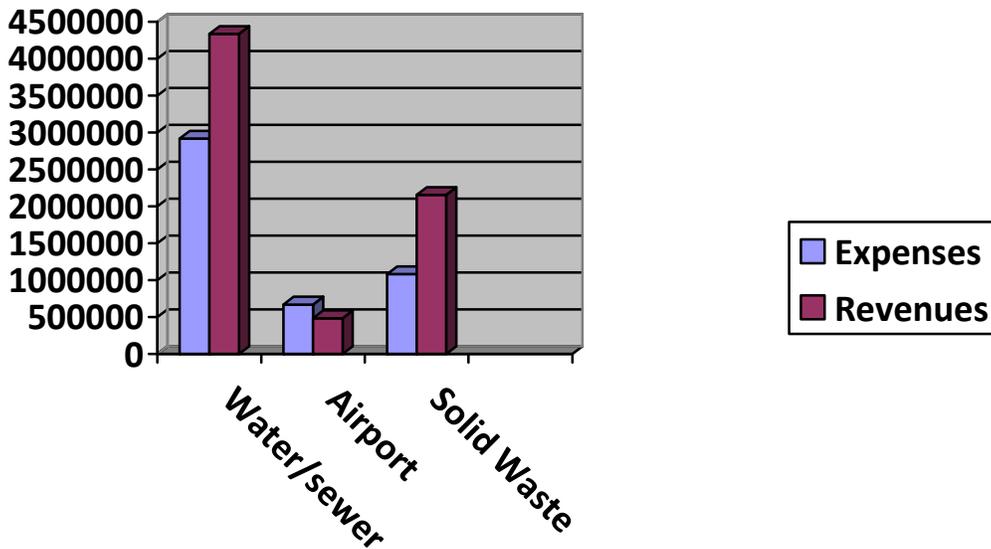
Business-type activities increased the net assets by \$2,443,274. Key elements of this increase were as follows:

Increase in water/sewer assets of \$415,229 due to the acquisition of Crystal Lake Utilities. The City also constructed/introduced a Septage and Residuals Management Facility which increased the sewer assets by \$479,432.

The Airport fund has a deficit of unrestricted net assets in the amount of \$1,163,454, an increase in deficit from prior year of \$111,633 due to the funds received are invested in “capital” assets. The Airport Fund is showing an operating loss of \$410,688 a decrease of \$48,696 from 2010. Operating revenues received were not enough to cover the operating expenses. The main contributor to the loss is the interest and liabilities recorded on the industrial building rental.

The Solid Waste Fund has operating income of \$296,941 a decrease of \$32,788 from prior year. However, \$791,517 was recognized on the release of landfill liability and is included in nonoperating revenue.

**EXPENSES AND PROGRAM REVENUES- BUSINESS-TYPE ACTIVITIES
2010-11 Fiscal Year**



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved 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 \$3,470,444, a decrease of \$870,263 in comparison of the prior year. \$1,452,308 or 42 percent is in unassigned fund balance, which is available for spending at the City's discretion. Also, \$340,020 is committed to payment of compensated absences. The City's infrastructure and CRA Fund balances are restricted in their use.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,439,629 while total fund balance reached \$1,801,818. 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 represents 26.4 percent of total general fund expenditures. The City's fund balance in the general fund increased by \$88,409 during the current fiscal year.

The fund balance of the City's infrastructure fund decreased by \$874,211 during the current fiscal year. Key factors in this decrease were due to principal retirement of a street bond \$1,168,906 and \$343,804 of capital outlay.

The fund balance of the City's CRA fund decreased by \$84,461 during the current fiscal year. The key factor in this decrease were expenditures increased \$184,560 from 2010.

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 assets of the Water and Sewer fund at the end of the year were \$667,633. The Airport fund and Solid Waste funds unrestricted net assets were \$(1,163,454) and \$1,799,314 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

Differences between the original budget and the final amended budget for the general fund were a \$91,584 increase in revenues/transfers in and a \$91,584 increase in expenditures/transfers out. These differences were as follows:

- Donations for K-9 received in the amount \$19,562 increased revenues. State Pension Contribution for police and fire increased by \$40,056 due to unbudgeted revenue.
- Transfers in increased \$10,265 due to transfer from Solid Waste.
- Police Department expenditures increased \$44,271 due to increase in overtime and the hiring of an unbudgeted position. The Fire Department expenditures increased by

\$28,500 which was due to an emergency repair to one of the fire trucks and the purchase of protective equipment in replacement obsolete equipment.

Differences between the final amended budget and the actual for the general fund were a \$387,362 decrease in revenues/transfers in and a \$475,771 decrease in expenditures/transfers out. These differences were as follows:

- Intergovernmental Revenues actual were less than budget due to Highlands County Recreation funding was \$77,295 less than the budget amount of \$257,115. Also, state grants budgeted at \$200,000 was \$119,862 less than budget.
- Tax Revenues were less than budget \$125,585 due to property tax revenue was \$34,667 more than budget; however electric franchise fees were actual under \$59,115 and communications service tax under \$51,399.
- Other governmental services expenditures were under budget due to \$147,892 of contingency and \$25,000 for museum plan was not utilized.
- Parks expenditures were under budget \$131,091 primarily due to D. Martin ball field project was not started.
- Expenditures in legal services were over budget due to litigations \$28,454.

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, 2011 amounts to \$30,103,756 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and curbs and sidewalks. The total decrease in the City's investment in capital assets for the current fiscal year was 1 percent.

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

- A variety of street projects including resurfacing existing roads, addition of new sidewalks and curbing. The total for the year was \$207,388 and \$12,906 for storm water improvements.
- Projects for airport improvements increased \$231,628 due to Taxiway design and \$52,622.67 due to drainage project. An acquisition of property located on airport property of \$50,000.
- Water and sewer improvements included lift station improvements and purchase of Crystal Lake Utilities \$415,229. The total additions for the year were approximately \$1,053,882. Equipment purchases were approximately \$94,556. The installation of a Septage and Residuals Management Facility \$479,432.

CITY OF AVON PARK'S CHANGES IN CAPITAL ASSETS

	Governmental Activities <u>2010</u>	Governmental Activities <u>2011</u>	Business- type Activities <u>2010</u>	Business- type Activities <u>2011</u>	Total <u>2010</u>	Total <u>2011</u>
Land	\$ 316,174	\$ 316,174	\$ 818,360	\$ 868,360	\$ 1,134,534	\$ 1,184,534
Buildings & system Machinery & Equipment	4,767,384	4,963,699	31,797,300	33,148,457	36,564,684	38,112,156
Infrastructure	4,866,781	5,043,471	4,467,430	4,696,481	9,334,211	9,739,952
Intangible Assets	4,106,515	5,611,342	-	-	4,106,515	5,611,342
Construction in Progress	-	-	273,161	273,161	273,161	273,161
Less: Accumulated Depreciation	1,309,956	4,792	337,107	272,173	1,647,063	276,965
	<u>5,725,545</u>	<u>6,332,933</u>	<u>17,639,355</u>	<u>18,761,421</u>	<u>1,647,063</u>	<u>25,094,354</u>
	<u>\$9,641,265</u>	<u>\$9,606,545</u>	<u>\$20,054,003</u>	<u>\$20,497,211</u>	<u>\$29,695,268</u>	<u>\$30,103,756</u>

Additional information on the City's capital assets can be found on Note 4 on pages 42 - 44 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$4,037,527. Of this amount, \$2,640,000 comprises debt secured by specific revenue sources (revenue bonds) and \$231,821 is for notes payable, \$442,170 for compensated absences, \$646,616 for deferred revenue relating to the airport industrial building, and \$ for Other Post-Employment Benefits for \$76,921.

CITY OF AVON PARK'S OUTSTANDING DEBT

	Governmental Activities <u>2010</u>	Governmental Activities <u>2011</u>	Business- type Activities <u>2010</u>	Business- type Activities <u>2011</u>	Total <u>2010</u>	Total <u>2011</u>
Loans payable and other obligations	\$1,461,535	\$ 394,765	\$1,997,567	\$1,002,762	\$3,459,102	\$1,397,527
Revenue bonds	-	-	<u>3,120,000</u>	<u>2,640,000</u>	<u>3,120,000</u>	<u>2,640,000</u>
Total	<u>\$1,461,535</u>	<u>\$ 394,765</u>	<u>\$5,117,567</u>	<u>\$3,642,762</u>	<u>\$6,579,102</u>	<u>\$4,037,527</u>

The City's total debt decreased \$2,541,575 (39 percent) during the current fiscal year.

Business-type debt includes water and sewer Revenue Bonds, Series 2003 due in annual installments of \$585,314 to \$589,720. Bond payment at the end of the current fiscal year is \$2,640,000.

Additional information on the City's long-term debt can be found in Note 5 on pages 45 - 46 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 growth is correlated with decreased revenues from property taxes, sales taxes, and charges for services as well as state and federal grants. Unemployment, new construction, assessed valuation, and growth are indicators of economic growth.

- The taxable value of real property in the City decreased 8 percent over last year. Estimates for 2011-2012 expect a 10 to 12 percent decrease in property values.
- New construction decreased 19 percent over last year.
- The unemployment rate for the County was 10.4 percent for the month of December 2011, which is higher than the state of Florida rate of 9.6 percent and greater than the national rate of 8.7 percent. The rate reduced by 1.1 percent since December 2010.
- Building and construction permits for year ending totaled 265 permits compared to 289 permits last year.

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 became effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which became effective on January 1, 2009.

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 Finance Director, 110 E. Main St., Avon Park, FL 33825.

BASIC FINANCIAL STATEMENTS

CITY OF AVON PARK, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Equity in pooled cash, cash equivalents and investments	\$ 2,995,057	\$ 2,605,257	\$ 5,600,314
Accounts receivable, net	108,212	499,468	607,680
Internal balances	142,160	(142,160)	-
Due from other governments	599,589	235,230	834,819
Other assets	19,100	-	19,100
Inventory	-	134,866	134,866
Restricted cash and cash equivalents	-	1,539,041	1,539,041
Net pension assets	160,924	-	160,924
Deferred charges	-	111,235	111,235
Capital assets:			
Land	316,174	868,360	1,184,534
Construction in progress	4,792	272,173	276,965
Buildings and system	4,963,699	33,148,457	38,112,156
Equipment	5,043,471	4,696,481	9,739,952
Infrastructure	5,611,342	-	5,611,342
Intangible assets	-	273,161	273,161
Accumulated depreciation and amortization	(6,332,933)	(18,761,421)	(25,094,354)
Total Assets	<u>13,631,587</u>	<u>25,480,148</u>	<u>39,111,735</u>
Liabilities			
Accounts payable and accrued liabilities	348,380	545,732	894,112
Deferred revenue	22,704	45,000	67,704
Due to fiduciary funds	22,590	-	22,590
Deposits	-	712,494	712,494
Payable from restricted assets:			
Interest payable	-	36,373	36,373
Noncurrent liabilities:			
Due within one year	244,000	612,875	856,875
Due in more than one year	150,765	2,984,887	3,135,652
Total Liabilities	<u>788,439</u>	<u>4,937,361</u>	<u>5,725,800</u>
Net Assets			
Invested in capital assets, net of related debt	9,606,545	17,736,626	27,343,171
Restricted for:			
Infrastructure	1,142,887	-	1,142,887
Community redevelopment	525,739	-	525,739
Other	22,169	-	22,169
System improvements	-	269,968	269,968
Debt service	-	982,700	982,700
Renewal and replacement	-	250,000	250,000
Unrestricted	1,545,808	1,303,493	2,849,301
Total Net Assets	<u>\$ 12,843,148</u>	<u>\$ 20,542,787</u>	<u>\$ 33,385,935</u>

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, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Functions/Programs							
Governmental activities							
General government	\$ 810,534	\$ 25,920	\$ 7,942	\$ 48	\$ (776,624)	\$ -	\$ (776,624)
Public safety	3,815,300	1,044,685	64,499	3,915	(2,702,201)	-	(2,702,201)
Physical environment	711,882	40,795	307,307	-	(363,780)	-	(363,780)
Culture and recreation	702,448	37,029	305,261	86,412	(273,746)	-	(273,746)
Economic environment	214,288	1,081	-	-	(213,207)	-	(213,207)
Debt service:							
Interest on long-term debt	45,728	-	-	-	(45,728)	-	(45,728)
Total governmental activities	6,300,180	1,149,510	685,009	90,375	(4,375,286)	-	(4,375,286)
Business-type activities							
Water and sewer	2,917,132	4,336,402	-	44,464	-	1,463,734	1,463,734
Airport	670,640	249,919	-	235,210	-	(185,511)	(185,511)
Solid waste	1,083,048	1,363,271	791,517	-	-	1,071,740	1,071,740
Total business-type activities	4,670,820	5,949,592	791,517	279,674	-	2,349,963	2,349,963
Total primary government	\$ 10,971,000	\$ 7,099,102	\$ 1,476,526	\$ 370,049	(4,375,286)	2,349,963	(2,025,323)
General revenues							
Taxes							
Property taxes					1,389,384	-	1,389,384
Sales tax					691,261	-	691,261
Services taxes					278,879	-	278,879
Franchise taxes					541,493	-	541,493
Utility taxes					702,703	-	702,703
Unrestricted intergovernmental revenue					894,369	-	894,369
Investment income (loss)					3,640	(7,881)	(4,241)
Miscellaneous					59,757	59,759	119,516
Transfers					(41,433)	41,433	-
Total general revenues and transfers					4,520,053	93,311	4,613,364
Change in net assets					144,767	2,443,274	2,588,041
Net assets, beginning of year					12,698,381	18,099,513	30,797,894
Net assets, end of year					\$ 12,843,148	\$ 20,542,787	\$ 33,385,935

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

**CITY OF AVON PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	<u>General</u>	<u>Infrastructure</u>	<u>CRA Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash, cash equivalents and investments	\$ 1,432,316	\$ 1,028,406	\$ 534,335	\$ 2,995,057
Accounts receivable, net	108,212	-	-	108,212
Due from other governments	492,548	107,041	-	599,589
Due from other funds	142,160	-	-	142,160
Other assets	6,421	12,679	-	19,100
Total Assets	<u>\$ 2,181,657</u>	<u>\$ 1,148,126</u>	<u>\$ 534,335</u>	<u>\$ 3,864,118</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 334,545	\$ 5,239	\$ 8,596	\$ 348,380
Due to fiduciary funds	22,590	-	-	22,590
Deferred revenue	22,704	-	-	22,704
Total liabilities	<u>379,839</u>	<u>5,239</u>	<u>8,596</u>	<u>393,674</u>
Fund balances:				
Restricted for:				
Law enforcement	15,687	-	-	15,687
Bouis Foundation	6,482	-	-	6,482
Infrastructure	-	1,142,887	-	1,142,887
Community redevelopment	-	-	525,739	525,739
Committed for compensated absences	340,020	-	-	340,020
Unassigned	1,439,629	-	-	1,439,629
Total fund balances	<u>1,801,818</u>	<u>1,142,887</u>	<u>525,739</u>	<u>3,470,444</u>
Total Liabilities and Fund Balances	<u>\$ 2,181,657</u>	<u>\$ 1,148,126</u>	<u>\$ 534,335</u>	<u>\$ 3,864,118</u>

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

**CITY OF AVON PARK, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

Fund Balances - Total Governmental Funds		\$ 3,470,444
Amounts reported for governmental activities in the statement of net assets are different because:		
The cumulative effect of overfunding the actuarial required contributions to a pension fund does not represent a financial asset in the governmental funds. In the statement of net assets, which is presented on the accrual basis, an asset is reported since the adjustment to expense is fully recognized in the the statement of activities.		160,924
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	15,939,478	
Accumulated depreciation	<u>(6,332,933)</u>	
		9,606,545
Long-term liabilities, are not due and payable in the current period and therefore, are not reported in the funds.		
OPEB liability	(54,745)	
Compensated absences	<u>(340,020)</u>	
		(394,765)
Net Assets of Governmental Activities		<u><u>\$ 12,843,148</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, 2011**

	<u>General</u>	<u>Infrastructure</u>	<u>CRA Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 3,219,766	\$ 691,261	\$ -	\$ 3,911,027
Charges for services	957,611	-	-	957,611
Licenses and permits	33,910	-	-	33,910
Intergovernmental	1,242,613	-	146,452	1,389,065
Fines and forfeitures	59,449	-	-	59,449
Investment income	940	2,700	-	3,640
Miscellaneous	117,343	348	13,987	131,678
Total revenues	<u>5,631,632</u>	<u>694,309</u>	<u>160,439</u>	<u>6,486,380</u>
Expenditures				
Current:				
General government	693,032	-	-	693,032
Public safety	3,453,667	-	-	3,453,667
Physical environment	528,151	-	-	528,151
Culture and recreation	546,885	-	-	546,885
Economic environment	-	-	214,288	214,288
Capital outlay	240,987	331,125	125,741	697,853
Debt service				
Principal retirement	-	1,168,906	-	1,168,906
Interest and other debt service	-	68,489	-	68,489
Total expenditures	<u>5,462,722</u>	<u>1,568,520</u>	<u>340,029</u>	<u>7,371,271</u>
Excess (deficiency) of revenues over expenditures	<u>168,910</u>	<u>(874,211)</u>	<u>(179,590)</u>	<u>(884,891)</u>
Other financing sources (uses)				
Transfers in	100,000	-	121,173	221,173
Transfers out	(180,501)	-	(26,044)	(206,545)
Total other financing sources (uses)	<u>(80,501)</u>	<u>-</u>	<u>95,129</u>	<u>14,628</u>
Net change in fund balances	<u>88,409</u>	<u>(874,211)</u>	<u>(84,461)</u>	<u>(870,263)</u>
Fund balances, beginning of year	1,713,409	2,017,098	610,200	4,340,707
Fund balances, end of year	<u>\$ 1,801,818</u>	<u>\$ 1,142,887</u>	<u>\$ 525,739</u>	<u>\$ 3,470,444</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, 2011**

Net Change in Fund Balances - Total Governmental Funds		\$ (870,263)
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>In the governmental funds, contributions made to a pension fund in excess of the actuarial required contribution amount are reported as an expenditure. In the statement of net assets, the amount is reported as an asset. Thus the change in net assets differs from the change in fund balance by the amount contributed in excess (deficiency) of the actuary's requirement.</p>		(6,198)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital assets	641,792	
Less: Current year depreciation	676,512	(34,720)
<p>Prepaid items in the governmental funds are recognized utilizing the purchases method and accordingly are recognized as expenditures as incurred. In the statement of net assets, which is presented on the accrual basis, a prepaid items is reported since the expenditure relates to future periods</p>		(33,583)
<p>The repayment of principal on long-term debt consumes current financial resources of governmental funds. However, such repayment does not affect net assets on the statement of activities. Similarly, the governmental funds do not reflect compensated absences.</p>		
Long-term debt	1,168,906	
Compensated absences	(74,299)	1,094,607
<p>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:</p>		
OPEB liability	(27,837)	
Interest	22,761	(5,076)
Change in Net Assets of Governmental Activities		\$ 144,767

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,345,351	\$ 3,345,351	\$ 3,219,766	\$ (125,585)
Charges for services	987,947	990,042	957,611	(32,431)
Licenses and permits	26,300	27,500	33,910	6,410
Intergovernmental	1,428,784	1,477,094	1,242,613	(234,481)
Fines and forfeitures	51,960	51,960	59,449	7,489
Investment income	6,000	6,000	940	(5,060)
Miscellaneous	76,068	105,782	117,343	11,561
Total revenues	<u>5,922,410</u>	<u>6,003,729</u>	<u>5,631,632</u>	<u>(372,097)</u>
Expenditures				
Administrative and financial:				
City council	22,078	24,226	23,566	660
City manager	285,931	284,783	227,941	56,842
Finance	196,924	196,924	175,216	21,708
General government:				
Legal counsel	81,025	81,025	117,033	(36,008)
Other government services	380,820	321,662	155,832	165,830
Public safety:				
Police	1,899,135	1,951,660	1,974,917	(23,257)
Fire	1,257,014	1,285,626	1,252,483	33,143
Code enforcement	214,955	214,843	182,272	32,571
Planning and zoning	91,641	91,753	61,423	30,330
Physical environment:				
Street	614,935	592,088	551,151	40,937
Parks	631,214	656,529	525,438	131,091
Culture/recreation:				
Recreation	192,632	189,827	170,708	19,119
Community center	37,232	46,366	44,742	1,624
Total expenditures	<u>5,905,536</u>	<u>5,937,312</u>	<u>5,462,722</u>	<u>474,590</u>
Excess (deficiency) of revenues over expenditures	<u>16,874</u>	<u>66,417</u>	<u>168,910</u>	<u>102,493</u>
Other financing sources (uses)				
Transfers in	105,000	115,265	100,000	(15,265)
Transfers out	(121,874)	(181,682)	(180,501)	1,181
Total other financing sources (uses)	<u>(16,874)</u>	<u>(66,417)</u>	<u>(80,501)</u>	<u>(14,084)</u>
Net change in fund balances	-	-	88,409	88,409
Fund balances, beginning of year	1,713,409	1,713,409	1,713,409	-
Fund balances, end of year	<u>\$ 1,713,409</u>	<u>\$ 1,713,409</u>	<u>\$ 1,801,818</u>	<u>\$ 88,409</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, 2011**

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 691,850	\$ 691,850	\$ 691,261	\$ (589)
Investment income	-	-	2,700	2,700
Miscellaneous	-	-	348	348
Total revenues	<u>691,850</u>	<u>691,850</u>	<u>694,309</u>	<u>2,459</u>
Expenditures				
General government	672	11,972	11,300	672
Police	112,000	117,300	116,986	314
Fire	126,804	165,109	151,223	13,886
Streets	364,875	1,308,438	1,277,927	30,511
Parks and recreation	-	4,660	4,659	1
Water utility services	-	6,425	6,425	-
Total expenditures	<u>604,351</u>	<u>1,613,904</u>	<u>1,568,520</u>	<u>45,384</u>
Excess (deficiency) of revenues over expenditures	<u>87,499</u>	<u>(922,054)</u>	<u>(874,211)</u>	<u>47,843</u>
Fund balances, beginning of year	2,017,098	2,017,098	2,017,098	-
Fund balances, end of year	<u>\$ 2,104,597</u>	<u>\$ 1,095,044</u>	<u>\$ 1,142,887</u>	<u>\$ 47,843</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues	\$ 243,678	\$ 243,678	\$ 146,452	\$ (97,226)
Miscellaneous	200	200	13,987	13,787
Total revenues	<u>243,878</u>	<u>243,878</u>	<u>160,439</u>	<u>(83,439)</u>
Expenditures				
Operating	401,924	401,924	214,288	187,636
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>125,741</u>	<u>(75,741)</u>
Total expenditures	451,924	451,924	340,029	111,895
Excess (deficiency) of revenues over expenditures	<u>(208,046)</u>	<u>(208,046)</u>	<u>(179,590)</u>	<u>28,456</u>
Other financing sources (uses)				
Transfers in	25,492	25,492	121,173	95,681
Transfers out	<u>(26,044)</u>	<u>(226,044)</u>	<u>(26,044)</u>	<u>200,000</u>
Total other financing sources (uses)	(552)	(200,552)	95,129	295,681
Net change in fund balances	<u>(208,598)</u>	<u>(408,598)</u>	<u>(84,461)</u>	<u>324,137</u>
Fund balances, beginning of year	610,200	610,200	610,200	-
Fund balances, end of year	<u>\$ 401,602</u>	<u>\$ 201,602</u>	<u>\$ 525,739</u>	<u>\$ 324,137</u>

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

CITY OF AVON PARK, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
Assets				
Current assets:				
Equity in pooled cash, cash equivalents and investments	\$ 1,346,355	\$ -	\$ 1,258,902	\$ 2,605,257
Restricted equity in pooled cash, cash equivalents and investments for debt Service	444,073	-	-	444,073
Accounts receivable, net	414,628	2,743	82,097	499,468
Due from other governments	-	235,230	-	235,230
Due from other funds	-	-	594,458	594,458
Inventories	134,866	-	-	134,866
Total current assets	2,339,922	237,973	1,935,457	4,513,352
Noncurrent assets:				
Restricted equity in cash, cash equivalents and investments:				
Debt service	575,000	-	-	575,000
Renewal and replacement	250,000	-	-	250,000
Impact fees	269,968	-	-	269,968
Deferred charges	111,235	-	-	111,235
Capital assets:				
Land	182,893	685,467	-	868,360
Building and system	22,750,688	10,395,914	1,855	33,148,457
Equipment	3,390,430	9,605	1,296,446	4,696,481
Construction in progress	32,507	239,666	-	272,173
Intangible assets	-	-	273,161	273,161
Accumulated depreciation and amortization	(14,162,497)	(3,379,548)	(1,219,376)	(18,761,421)
Capital assets, net of accumulated depreciation and amortization	12,194,021	7,951,104	352,086	20,497,211
Total noncurrent assets	13,400,224	7,951,104	352,086	21,703,414
Total Assets	\$ 15,740,146	\$ 8,189,077	\$ 2,287,543	\$ 26,216,766
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 373,511	\$ 101,702	\$ 70,519	\$ 545,732
Due to other funds	89,914	622,202	24,502	736,618
Compensated absences	54,000	-	34,000	88,000
Deposits	681,587	30,907	-	712,494
Deferred revenue - current	-	45,000	-	45,000
Current portion of loans payable	18,516	11,359	-	29,875
Current liabilities payable from restricted assets:				
Interest payable	36,373	-	-	36,373
Current portion of bonds payable	495,000	-	-	495,000
Total current liabilities	1,748,901	811,170	129,021	2,689,092
Noncurrent liabilities:				
Compensated absences	13,369	-	781	14,150
Other post-employment benefits	15,835	-	6,341	22,176
Deferred revenue	-	601,616	-	601,616
Bonds payable, net of current portion	2,145,000	-	-	2,145,000
Loans payable, net of current portion	38,197	163,748	-	201,945
Total non-current liabilities	2,212,401	765,364	7,122	2,984,887
Total liabilities	3,961,302	1,576,534	136,143	5,673,979
Net Assets				
Invested in capital assets, net of related debt	9,608,543	7,775,997	352,086	17,736,626
Restricted for:				
System improvement	269,968	-	-	269,968
Debt Service	982,700	-	-	982,700
Renewal and replacement	250,000	-	-	250,000
Unrestricted	667,633	(1,163,454)	1,799,314	1,303,493
Total net assets	11,778,844	6,612,543	2,151,400	20,542,787
Total Liabilities and Net Assets	\$ 15,740,146	\$ 8,189,077	\$ 2,287,543	\$ 26,216,766

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
Operating revenues				
Charges for services	\$ 4,336,402	\$ 249,919	\$ 1,363,271	\$ 5,949,592
Miscellaneous	45,936	273	13,550	59,759
Total operating revenues	<u>4,382,338</u>	<u>250,192</u>	<u>1,376,821</u>	<u>6,009,351</u>
Operating expenses				
Personal services	1,268,321	56,498	417,326	1,742,145
Materials, supplies, services, and other operating expenses	805,072	285,004	563,585	1,653,661
Depreciation and amortization	718,116	319,378	98,969	1,136,463
Total operating expenses	<u>2,791,509</u>	<u>660,880</u>	<u>1,079,880</u>	<u>4,532,269</u>
Operating income (loss)	<u>1,590,829</u>	<u>(410,688)</u>	<u>296,941</u>	<u>1,477,082</u>
Nonoperating revenues (expenses)				
Investment income (loss)	(12,492)	-	4,611	(7,881)
Landfill escrow release	-	-	791,517	791,517
Interest/amortization expense	(125,623)	(9,760)	(3,168)	(138,551)
Total nonoperating revenues (expenses)	<u>(138,115)</u>	<u>(9,760)</u>	<u>792,960</u>	<u>645,085</u>
Income (loss) before transfers and capital contributions	<u>1,452,714</u>	<u>(420,448)</u>	<u>1,089,901</u>	<u>2,122,167</u>
Capital contributions - capital grants	-	235,210	-	235,210
Capital contributions - impact fees and capital contributions	44,464	56,061	-	100,525
Transfers in	-	85,372	-	85,372
Transfers out	(50,000)	-	(50,000)	(100,000)
Changes in net assets	<u>1,447,178</u>	<u>(43,805)</u>	<u>1,039,901</u>	<u>2,443,274</u>
Total net assets, beginning of year	10,331,666	6,656,348	1,111,499	18,099,513
Total net assets, end of year	<u>\$ 11,778,844</u>	<u>\$ 6,612,543</u>	<u>\$ 2,151,400</u>	<u>\$ 20,542,787</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, 2011**

	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers	\$ 4,454,997	\$ 213,046	\$ 1,375,791	\$ 6,043,834
Cash paid to suppliers	(482,677)	(171,527)	(543,779)	(1,197,983)
Cash paid to employees	(1,266,559)	(56,034)	(425,269)	(1,747,862)
Net cash provided by (used in) operating activities	<u>2,705,761</u>	<u>(14,515)</u>	<u>406,743</u>	<u>3,097,989</u>
Cash flows from noncapital financing activities				
Transfers from (to) other funds	<u>39,914</u>	<u>304,536</u>	<u>(216,918)</u>	<u>127,532</u>
Cash flows from capital and related financing activities				
Principal payments on loans payable	(18,139)	(10,338)	(139,377)	(167,854)
Principal payments on bonds payable	(480,000)	-	-	(480,000)
Interest paid	(103,376)	(9,760)	(3,168)	(116,304)
Proceeds from impact fees and capital contributions	44,464	-	-	44,464
Proceeds from capital grants	-	50,884	-	50,884
Acquisition and construction of capital assets	(1,079,952)	(320,807)	(122,851)	(1,523,610)
Net cash used in capital and related financing activities	<u>(1,637,003)</u>	<u>(290,021)</u>	<u>(265,396)</u>	<u>(2,192,420)</u>
Cash flows from investing activities				
Investment income (loss)	(12,492)	-	4,611	(7,881)
Net increase (decrease) in cash and cash equivalents	<u>1,096,180</u>	<u>-</u>	<u>(70,960)</u>	<u>1,025,220</u>
Equity in restricted cash, cash equivalents and investments, beginning of year	1,789,216	-	1,329,862	3,119,078
Equity in restricted cash, cash equivalents and investments, end of year	<u>\$ 2,885,396</u>	<u>\$ -</u>	<u>\$ 1,258,902</u>	<u>\$ 4,144,298</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, 2011
(Continued)

	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Reconciliation of cash and cash equivalents to statement of net assets				
Equity in cash, cash equivalents and investments in current assets	\$ 1,346,355	\$ -	\$ 1,258,902	\$ 2,605,257
Restricted equity in cash, cash equivalents and investments in current assets	444,073	-	-	444,073
Restricted equity in cash, cash equivalents and investments in noncurrent assets	<u>1,094,968</u>	<u>-</u>	<u>-</u>	<u>1,094,968</u>
Total cash and cash equivalents	<u><u>\$ 2,885,396</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,258,902</u></u>	<u><u>\$ 4,144,298</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 1,590,829	\$ (410,688)	\$ 296,941	\$ 1,477,082
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	718,116	319,378	85,311	1,122,805
Amortization on intangible assets	-	-	13,658	13,658
Gain on disposal of capital assets	-	-	-	-
Changes in certain assets and liabilities:				
Accounts receivable	10,723	(1,388)	(1,030)	8,305
Prepaid expenses	34,149	12,258	8,756	55,163
Inventories	(3,179)	-	-	(3,179)
Compensated absences	(1,952)	-	(12,592)	(14,544)
Other post-employment benefits	8,023	-	3,303	11,326
Accounts payable and accrued liabilities	287,116	101,683	12,396	401,195
Deferred revenue - current	-	(32,216)	-	(32,216)
Deposits	61,936	(3,542)	-	58,394
Net cash provided by (used in) operating activities	<u><u>\$ 2,705,761</u></u>	<u><u>\$ (14,515)</u></u>	<u><u>\$ 406,743</u></u>	<u><u>\$ 3,097,989</u></u>

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

**CITY OF AVON PARK, FLORIDA
STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
SEPTEMBER 30, 2011**

	Pension Trust Funds
Assets	
Interest and dividend receivable	\$ 37,266
Due from other funds	22,590
Contributions receivable from employees	1,284
Due from other governmental agency	39,667
Investments:	
Short-term money market funds	376,658
U.S. Government agencies and securities	882,057
Mortgage backed securities	300,871
Corporate, municipal, and foreign bonds	2,035,936
Corporate equity securities	4,066,192
Total assets	7,762,521
Liabilities	-
Net assets held in trust for pension benefits	\$ 7,762,521

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

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Pension Trust Funds
Additions	
Contributions	
Employees' contributions	\$ 87,028
Employer's contributions	384,126
State contributions	92,081
Total contributions	563,235
Investment earnings	
Net increase (decrease) in investments	(62,084)
Investment expense	(74,205)
Net investment earnings (loss)	(136,289)
Total additions	426,946
Deductions	
Benefits	479,125
Administrative expenses	89,609
Total deductions	568,734
Change in net assets	(141,788)
Net assets held in trust for pension benefits, beginning of year	7,904,309
Net assets held in trust for pension benefits, end of year	\$ 7,762,521

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

(a) **Reporting entity**—The City, a municipality under the laws of the State of Florida, is located in Highlands County and is approximately 7.1 square miles in area. It was incorporated in 1926 when Florida Law Chapter 12512 approved its original charter. 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 (traditionally 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. There are no potential component units of the City.

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

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. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 — *Accounting and Financial Reporting for Nonexchange Transactions*.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

Program revenues derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, 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 (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (fiduciary). Since these assets are being held for the benefit of a third party (other local governments) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, 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 enterprise 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.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

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.

Under the current financial resources measurement focus, only current assets and current liabilities 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.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. However, debt service expenditures, 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 assets. The City applies all Statement of Financial Accounting Standards and Interpretations issued before November 30, 1989, except those that conflict with or contradict Statements of Government Accounting Standards. The City has elected not to apply Financial Accounting Standards Board Pronouncements issued after November 30, 1989.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

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 another 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.

Governmental Major Funds

General Fund—This fund 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, franchises, 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 fund was created to account for revenues that are required by Florida Statutes to be expended only for certain purposes.

CRA Funds—These funds are 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.

Proprietary Major Funds

Water and Sewer Fund—This fund accounts for the facilities and administration relating to residential and commercial sewer and water services provided to City of Avon Park residents and outside of city residents. 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, 2011

(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 assets.

(c) **Budgets and Budgetary Accounting**—Budgets are prepared for General, Infrastructure, 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 transfers, which include principal payments.

Budgets are not prepared for the Pension Trust Funds.

The legal level of budgetary control is at the functional level. The City's five general fund functions are administrative and financial, general government, public safety, physical environment, and culture/recreation.

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 Assets:

"Total" fund balances of the City's governmental funds of \$3,470,444 differs from "net assets" of governmental activities, \$12,843,148, reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets 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, a decrease of \$870,263, differs from the "change in net assets" for governmental activities, an increase of \$144,767 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

Reclassification and Eliminations

Transfers in and transfers out in the amount of \$121,173 between governmental activities were eliminated.

(e) **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.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

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.

(f) **Investments**—Investments are stated at fair value, *except for* short-term investments, which are stated at amortized cost.

Fair value is based on a quoted market price or the best available estimate.

(g) **Inventories**—Inventories are stated at cost, which is not in excess of market. Cost is determined on a weighted average method. The purchases method is used to account for inventory.

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

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

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

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

Transfers are reported in the "Other Financing Sources (Uses)" section in the Statement of Revenues, Expenditures, and Changes in Fund Balances and in the "Operating Transfers" section in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. 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 advances are recorded as reductions in fund balance by the advancing fund in the Governmental Fund Types. The amount advanced is reported as "Advances to other funds" and as "Nonspendable for advances" to maintain the accountability and to properly disclose the amount available for appropriation (unassigned fund balance).

(j) **Intangible asset**—On October 1, 1996, the City established a new enterprise fund for its solid waste operations. Assets and liabilities relating to solid waste were transferred from the General Fund to the Solid Waste Fund. The excess of liabilities over the cost of assets totaling \$273,161 was recorded as an intangible asset in the Solid Waste Fund. This intangible asset is being amortized on a straight-line basis over a 20 year period and at September 30, 2011 accumulated amortization totals \$204,871 and the net amortized value of the asset amounts to \$68,290.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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

(k) **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

(l) **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.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

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

- General government employees shall be paid for one-half of the accumulated unused sick leave up to a maximum of 480 hours after 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.

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 assets at September 30, 2011, representing the City's commitment to fund such costs from future operations. In the governmental funds, only amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. 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.

(m) **Pension plans**—The City has pension plans covering substantially all of its full-time employees. It is the policy of the City to fund pension costs accrued, which includes amortization of prior service costs.

(n) **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.

(o) **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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(p) **Fund equity policy**—The City's policy for fund balance/net assets of the general fund and enterprise funds is to maintain a minimum fund balance equal to 20% of the current fiscal year operating expenditure and transfers out budgeted for each fund, exclusive of depreciation.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

(q) **Property tax revenues**—Ad valorem taxes for the current fiscal year (beginning October 1, 2010) are assessed on July 1, 2010 based on property values of January 1, 2010. The taxes are billed in the month of November 2010 by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due November 1, 2010 (levy date) and become delinquent April 1, 2011. Tax certificates are issued for delinquent taxes by June 1, 2011 (lien date). Generally, the City collects substantially all of its current year property taxes during the year in which they are due.

(r) **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.

(s) **Change in accounting principle**—The City implemented GASB Statement No. 54. “Fund Balance Reporting and Governmental Fund Type Definitions” for the year ended September 30, 2011. GASB Statement No. 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable — amounts that are not in spendable form (such as inventory) 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 Commission or by an official or body to which the City Commission delegates the authority.

Unassigned — amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the City’s governmental funds have been restated to reflect the above classifications.

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, 2011

(2) **Deposits and Investments:**

(a) **Deposits**—At September 30, 2011, the carrying amount of the City's deposits was \$3,836,557 and the bank balance was \$4,054,458. 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 \$2,198 cash on hand at September 30, 2011.

(b) **Investments**—As of September 30, 2011, the City had the following investments and maturities:

Investment Type	Fair Value	Remaining Maturities (in Years)			
		Less Than 1	1 - 5	6-10	More Than 10
U.S. Government securities	\$ 419,937	\$ 419,937	\$ -	\$ -	\$ -
U.S. Government Bonds	1,061,220	783,706	277,514	-	-
Florida SBA LGIP Fund A	1,772,883	1,772,883	-	-	-
Florida SBA LGIP Fund B	46,560	-	46,560	-	-
Total fair value	<u>\$ 3,300,600</u>	<u>\$ 2,976,526</u>	<u>\$ 324,074</u>	<u>\$ -</u>	<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 bond reserves, construction funds, and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed ten years.

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, 2011 for each type of investment in debt securities.

Rating as of Year-End	U.S. Government Securities	U.S. Government Bonds	SBA LGIP Fund A	SBA LGIP Fund B
AAAm	\$ -	\$ -	\$ 1,772,883	\$ -
AAA	419,937	1,061,220	-	-
Not rated	-	-	-	46,560
Total	<u>\$ 419,937</u>	<u>\$ 1,061,220</u>	<u>\$ 1,772,883</u>	<u>\$ 46,560</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 part.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

All bank accounts of the City are placed in banks that qualify as a public depository, as required by law (Florida Security For Public Deposits Act, Chapter 280, Florida Statutes). Chapter 280 of the Florida Statutes provides that qualified public depositories must maintain eligible collateral having a market value equal to 50% 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 is a member of the Local Government Surplus Funds Trust Fund Investment Pool Fund A (the Pool) that is administered by the State Board of Administration of Florida (SBA). At September 30, 2011, the carrying amount of the City's deposits was \$1,772,883 and the SBA balances were \$1,772,883. This pool is a "2a-7 like" pool, which has the characteristics of a money market fund. Therefore, the fair value of the City's position in the Pool is the same as the value of the Pool shares.

The City is also a member of the Local Government Surplus Funds Trust Fund Investment Pool Fund B that is administered by the State Board of Administration of Florida (SBA). At September 30, 2011, the principle amount of the City's deposits was \$61,519 and the fair value was \$46,560. The SBA's interpretation in regard to Fund B is that it does not meet the requirements of a SEC 2a7-like fund; therefore, SBA provided the Fair Value factor of 75.68402%.

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 year-end for the government, individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities			Total
	General	Water and Sewer	Airport	Solid Waste	
Utility and franchise taxes	\$ 104,244	\$ -	\$ -	\$ -	\$ 104,244
Code enforcement	23,695	-	-	-	23,695
Water and sewer charges	-	420,093	-	-	420,093
Solid waste charges	-	-	-	85,128	85,128
Miscellaneous	7,912	-	3,106	-	11,018
Gross receivables	135,851	420,093	3,106	85,128	644,178
Allowance for doubtful accounts	(27,639)	(5,465)	(363)	(3,031)	(36,498)
	<u>\$ 108,212</u>	<u>\$ 414,628</u>	<u>\$ 2,743</u>	<u>\$ 82,097</u>	<u>\$ 607,680</u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

(4) **Capital Assets:**

Capital asset activity for the year ended September 30, 2011 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 316,174	\$ 50,000	\$ -	\$ (50,000)	\$ 316,174
Construction in process	1,309,956	-	-	(1,305,164)	4,792
Total capital assets, not being depreciated	<u>1,626,130</u>	<u>50,000</u>	<u>-</u>	<u>(1,355,164)</u>	<u>320,966</u>
Capital assets, being depreciated:					
Buildings	4,767,384	131,507	-	64,808	4,963,699
Equipment	4,866,781	251,875	(69,124)	(6,061)	5,043,471
Infrastructure	4,106,515	264,471	-	1,240,356	5,611,342
Total capital assets, being depreciated:	<u>13,740,680</u>	<u>647,853</u>	<u>(69,124)</u>	<u>1,299,103</u>	<u>15,618,512</u>
Less accumulated depreciation for:					
Buildings	(2,031,577)	(160,582)	-	-	(2,192,159)
Equipment	(3,297,412)	(342,245)	69,124	-	(3,570,533)
Infrastructure	(396,556)	(173,685)	-	-	(570,241)
Total accumulated depreciation	<u>(5,725,545)</u>	<u>(676,512)</u>	<u>69,124</u>	<u>-</u>	<u>(6,332,933)</u>
Total capital assets, being depreciated, net	<u>8,015,135</u>	<u>(28,659)</u>	<u>-</u>	<u>1,299,103</u>	<u>9,285,579</u>
Governmental activities capital assets, net	<u>\$ 9,641,265</u>	<u>\$ 21,341</u>	<u>\$ -</u>	<u>\$ (56,061)</u>	<u>\$ 9,606,545</u>

During current year the Airport CRA fund purchased \$50,000 of land and \$6,061 of equipment and transferred it to the Airport enterprise fund. In statement of revenues, expenditures, and changes in fund balance balances the \$56,061 is shown as capital outlay; however, in the statement activities this is shown as transfer out. For the Airport enterprise fund, \$56,061 is shown as a capital contribution in the statement of revenues, expenses, changes in fund net assets; however, in the statement of activities this is shown as a transfer in.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 818,360	\$ -	\$ -	\$ 50,000	\$ 868,360
Construction in process	337,107	23,772	(88,706)	-	272,173
Total capital assets, not being depreciated	<u>1,155,467</u>	<u>23,772</u>	<u>(88,706)</u>	<u>50,000</u>	<u>1,140,533</u>
Capital assets, being depreciated & amortized:					
Buildings and system	31,797,300	1,351,157	-	-	33,148,457
Machinery and equipment	4,467,430	237,387	(14,397)	6,061	4,696,481
Intangible assets	273,161	-	-	-	273,161
Total capital assets, being depreciated & amortized:	<u>36,537,891</u>	<u>1,588,544</u>	<u>(14,397)</u>	<u>6,061</u>	<u>38,118,099</u>
Less accumulated depreciation & amortization for:					
Buildings and system	(14,810,446)	(848,372)	-	-	(15,658,818)
Machinery and equipment	(2,637,696)	(274,433)	14,397	-	(2,897,732)
Intangible assets	(191,213)	(13,658)	-	-	(204,871)
Total accumulated depreciation & amortization	<u>(17,639,355)</u>	<u>(1,136,463)</u>	<u>14,397</u>	<u>-</u>	<u>(18,761,421)</u>
Total capital assets, being depreciated & amortized, net	<u>18,896,536</u>	<u>452,081</u>	<u>-</u>	<u>6,061</u>	<u>19,356,678</u>
Business-type activities capital assets, net	<u>\$ 20,054,003</u>	<u>\$ 475,853</u>	<u>\$ (88,706)</u>	<u>\$ 56,061</u>	<u>\$ 20,497,211</u>

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

Governmental activities:

General government	\$ 74,389
Public safety	279,851
Physical environment	181,785
Culture and recreation	140,487
Total depreciation expense - governmental activities	<u>\$ 676,512</u>

Business-type activities:

Water and sewer	\$ 718,116
Airport	319,378
Solid waste	98,969
Total depreciation & amortization expense – business-type activities	<u>\$ 1,136,463</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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

At September 30, 2011 the City had the following outstanding construction commitments in business-type activities.

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to September 30, 2011</u>	<u>Commitment</u>
Water and Sewer Fund			
U.S. 27 North widening	\$ 247,500	\$ 42,793	\$ 204,707
Airport Fund			
Airport drainage	\$ 2,577,182	\$ 241,952	\$ 2,119,840

At September 30, 2011, the City had no outstanding construction commitments in governmental type activities.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

(5) Long-Term Liabilities:

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2011, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
Notes payable	\$ 1,168,906	\$ -	\$ 1,168,906	\$ -	\$ -
Compensated absences	265,721	295,572	221,273	340,020	244,000
Other post-employment benefits	26,908	27,837	-	54,745	-
Governmental activity long-term liabilities	<u>\$ 1,461,535</u>	<u>\$ 323,409</u>	<u>\$ 1,390,179</u>	<u>\$ 394,765</u>	<u>\$ 244,000</u>
<u>Business-type activities</u>					
Notes payable	\$ 399,675	\$ -	\$ 167,855	\$ 231,820	\$ 29,875
Revenue bond	3,120,000	-	480,000	2,640,000	495,000
Landfill closure	791,517	-	791,517	-	-
Deferred revenue	678,832	12,784	45,000	646,616	45,000
Compensated absences	116,693	77,681	92,224	102,150	88,000
Other post-employment benefits	10,850	11,326	-	22,176	-
Business-type activity long-term liabilities	<u>\$ 5,117,567</u>	<u>\$ 101,791</u>	<u>\$ 1,576,596</u>	<u>\$ 3,642,762</u>	<u>\$ 657,875</u>

The following notes payable and revenue bonds payable were outstanding at September 30, 2011:

Business-Type Activities Notes Payable:

\$250,000 with a fixed interest rate equal to 5.18%, dated March 25, 2003, with final payment due March 25, 2023. Beginning April 25, 2003 payments are due in monthly installments of \$1,675, including interest, until maturity date. Proceeds are used for construction of corporate hangars at the airport and are secured by revenue derived from the corporate hangars and T-hangars.	\$ 175,107
\$104,424 with a fixed interest rate equal to 2.07% dated November 6, 2006. The current balance of this State Revolving Fund loan was used to perform a study to determine the feasibility of expanding and upgrading the Wastewater Treatment Plant. Potential draws total \$802,837; however, the City has made the decision not to expand the plant at this time. Repayment of draws is semiannual for 20 years beginning March 15, 2010.	<u>56,714</u>
Total Business-type Activities Notes Payable	<u>\$ 231,821</u>

Business-type Activities Revenue Bond:

\$5,750,000 in Water and Sewer Refunding Revenue Bonds, Series 2003 due in annual installments ranging from \$585,314 to \$589,720, including interest, through December 1, 2015; interest ranges from 1.05% to 3.8%; collateralized by a pledge of water and sewer revenue.	<u>\$ 2,640,000</u>
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**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

(5) **Long-Term Liabilities:** (Continued)

The annual debt service requirements to maturity for notes and bonds payable are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ -	\$ -	\$ 524,875	\$ 96,371
2013	-	-	540,864	78,290
2014	-	-	556,892	58,887
2015	-	-	558,264	38,386
2016	-	-	578,968	16,865
2017 – 2021	-	-	81,773	18,718
2022 - 2023	-	-	30,185	1,202
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,871,821</u>	<u>\$ 308,719</u>

Loan Covenants for Business Type Activities - Water and Sewer Refunding Revenue Bond

Revenues shall be deposited in the Sinking Fund as necessary to pay 1/6 of the interest becoming due on the bonds on the next semiannual interest payment date and 1/12 of the principal maturing on serial bonds on the next maturity date, plus prior deficiencies, and the fees of the bond registrar. Revenues shall then be used to maintain a reserve account in the Sinking Fund for the lesser of (a) the maximum annual debt service requirements for the bonds, (b) 125 percent of the average annual debt service requirements for the bonds, or (c) 10 percent of the proceeds of the sale of the bonds. The City shall pay into the Renewal, Replacement and Improvements fund an amount equal to 6 percent of the revenues for the preceding fiscal year until \$250,000 is on deposit.

The City must set rates to provide revenues in each year sufficient to pay the cost of operation and maintenance plus 125% of the debt service requirement due in such year, and 100% of all other payments required by resolution.

During the year the City met the sinking fund and rate covenant requirements described in the preceding paragraphs.

(6) **Landfill Closure and Postclosure Care Liability:**

The City owns and operates a landfill for yard trash as part of its solid waste operation. The solid waste operation of the City is accounted for in the Solid Waste Enterprise Fund. In December 2010, the Florida Department of Environmental Protection approved a change to the City's landfill permit. The landfill permit in effect until December 26, 2010 was a general landfill permit, which required a restriction on funds to cover 30 years of postclosure maintenance. The new permit is a yard waste facility permit, which requires no funding restrictions for postclosure maintenance. The removal of the liability for landfill closure of \$791,517 as of September 30, 2010, was recorded as a nonoperating revenues during the fiscal year ended September 30, 2011.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

(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, 2010, the most recent actuarial valuation date, the Plan had approximately 87 active participants and 1 retiree receiving benefits.

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

Funding Policy—Contribution requirements are set by City policy as approved by City Council. Retired and active participants pay 100% of the active employee premium, net of any Florida Retirement System Benefits. The City pays additional premiums in excess of active employee rates on behalf of retired participants. In fiscal year 2011, the City made no contributions to the plan.

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 amount actually contributed to the plan, and changes in the City’s net OPEB obligation. Because fiscal year 2010 is the first year of implementation of GASB Statement 45, the OPEB obligation at the beginning of the year is zero and the OPEB cost (expense) is equal to the ARC.

Annual required contribution (ARC)	\$	53,933
Interest on net OPEB obligation		1,699
Adjustment to the ARC		(2,071)
Annual OPEB Cost		53,561
Contributions made		(14,398)
Increase in net OPEB obligation		39,163
Net OPEB obligation, beginning of year		37,758
Net OPEB obligation, end of year	\$	76,921

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are listed below:

Fiscal Year Ending	Annual OPEB Cost	City Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$53,561	\$14,398	26.9%	\$76,921
2010	55,659	17,901	32.2%	37,758

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

Funded Status and Funding Progress—As of October 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$404,202, all of which was unfunded (or 0% funded). Covered payroll is not applicable and therefore unfunded actuarial accrued liability as a percentage of covered payroll is not applicable as well. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits (only one year presented in this year of implementation).

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, 2010 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 7 percent initially (2011), reduced by decrements of 1 percent per year until reaching an ultimate trend rate of 5 percent in 2013. The unfunded actuarial liability is being amortized over a closed 30 year period using a level percentage of payroll with an assumption that payroll increases by 5 percent per year for Fire Employees and no increases for Police and General Employees. The remaining amortization period at September 30, 2011, was 29 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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

Individual interfund receivable and payable balances at September 30, 2011 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Fund	Airport Fund	\$ 594,458
General Fund	Airport Fund	27,744
General Fund	Water and Sewer Fund	89,914
General Fund	Solid Waste Fund	24,502
Pension Trust Funds	General Fund	22,590

Amounts due to and from other funds arise from timing differences in the affected funds due to timing of expenditures and related reimbursements and due to cash shortages at year-end.

(10) **Transfers:**

Transfers during the year ended September 30, 2011 consisted of the following:

	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Airport Fund</u>	<u>CRA Funds</u>
Transfers Out:			
General Fund	\$ -	\$ 59,328	\$ 121,173
CRA Funds	-	26,044	-
Water and Sewer	50,000	-	-
Solid Waste Fund	50,000	-	-
	<u>\$ 100,000</u>	<u>\$ 85,372</u>	<u>\$ 121,173</u>

Transfers are used to 1) move revenues from the fund that state law required to collect them to the fund that state law requires to expend them; 2) provide matching funds for grants; and 3) use unrestricted fund revenues to finance activities which must be accounted for in another fund and 4) City's portion of ad valorem taxes to the CRA funds; 5) provide funds from restricted resources for capital outlay. Also, see Note 4 for details on transfer of capital assets between funds.

(11) **Fund Equity:**

Restrictions of fund balances at September 30, 2011 are summarized below:

Restricted for 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.

Restricted for 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.

Restricted for 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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

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

Police Officers' Retirement System (PORS)

Plan Description

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

Firefighters' Retirement System (FFRS)

Plan Description

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

Funding Policy and Annual Pension Cost

The City Council establishes and may amend the contribution requirements of plan members. The City, taking into account the state contribution, is required by city ordinance and state statutes to make additional contributions to fund the pension plans on an actuarially sound basis and at a minimum must contribute 5 percent of employee compensation. The amounts contributed by the State to the PORS represents the City's portion of an .85 percent tax on all premiums collected on casualty insurance policies on property within the City and for the FFRS is a 1.85 percent tax on all premiums collected on property insurance policies covering property within the City. The City, for 2011 funding purposes, is limited by state statutes on the amount of the state contribution that can be credited toward the annual required contribution. Administrative costs for each plan are financed through investment earnings. Information related to contributions for the year ended September 30, 2011 is as follows:

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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

	Police Officers' Retirement System	Firefighters' Retirement System
Contribution rates for year ended 9/30/2011:		
City and state	25.34%	29.67%
Plan members	5.00%	5.00%
Actuarial valuation date	10/1/2008	10/1/2008
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed 20 years as of	Level % of pay, closed
Remaining amortization period	10/1/2010	28 years as of 10/1/2010
Asset valuation method	4 Year Smooth	4 Year Smoothed Market
Actuarial assumptions:		
Investment rate of return *	8.0%	8.0%
Projected salary increases *	6.0%	6.0%
* Includes inflation at	3.0%	3.0%
Post retirement cost of living adjustments	3.0%	3.0%

	Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Police Officers' Retirement System	2010	\$ 170,851	98%	\$ (99,287)
	2009	146,480	98%	(103,185)
	2008	186,591	116%	(106,176)
Firefighters' Retirement System	2010	\$ 141,643	98%	\$ (61,637)
	2009	118,493	99%	(63,937)
	2008	113,834	124%	(65,028)

Funding Policy and Annual Pension Cost

The funded status of each plan as of September 30, 2011, the most recent actuarial valuation date (October 1, 2010), is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
Fire	\$ 3,449,783	\$ 4,524,930	\$ 1,075,147	76.24%	\$ 680,087	158.09%
Police	5,268,362	5,555,052	286,690	94.84	1,025,823	27.95%

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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

Significant Accounting Policies

(a) **Basis of Accounting**—City of Avon Park’s financial statements for both pension funds are prepared using the accrual basis of accounting for Trust Funds. Employer and plan member contributions are recognized in the period that contributions are due and payable in accordance with the terms of the plan. Benefits and refunds are recognized when due and payable in accordance with terms of each plan.

(b) **Method Used to Value Investments**—Investments in both plan funds are reported at fair value according to the independent custodian for each plan using various third party pricing sources. Short-term investments are reported at cost, which approximates fair value.

(c) **Contribution Requirements and Contributions Made**—Florida Legislature, City Commission and each Pension Board govern the City and employee contribution requirements for both plans. The City’s contribution to the plans is an actuarially determined periodic amount that increases gradually over time so that sufficient assets will be available to pay benefits when due. The employees’ contributions to the Firefighters’ Retirement Trust Fund and Police Officers’ Retirement Trust Fund were each 5.0% for the fiscal year 2011

(d) **Administrative costs**—The costs of administering the pension plans are funded by the respective plan through investment earnings of each plan.

The City receives contributions from the state for the Firefighters’ and Police Officers’ Retirement plans. The City recognized \$92,081 in revenue and related expense in the general fund.

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

The actuarially determined net pension obligation (NPO) (asset) for the plans at the end of 2010 are approximately as follows:

	Police Officers’ Retirement System	Firefighters’ Retirement System
	<u> </u>	<u> </u>
Actuarially Required Contribution (ARC)	\$ 166,952	\$ 139,343
Interest on NPO	(8,255)	(5,115)
Adjustments to ARC	12,154	7,415
Annual Pension Cost	<u>170,851</u>	<u>141,643</u>
Contributions Made	<u>166,953</u>	<u>139,343</u>
Increase in NPO	3,898	2,300
NPO (Asset) Beginning of Year	<u>(103,185)</u>	<u>(63,937)</u>
NPO (Asset) End of Year	<u><u>\$ (99,287)</u></u>	<u><u>\$ (61,637)</u></u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

The Police and Fire Pension Fund issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to The City of Avon Park, Finance Department, 110 E. Main Street, Avon Park, FL 33825 or calling 863-452-4400.

Florida Retirement System (FRS)

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

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

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

The Deferred Retirement Option Program (DROP), implemented on July 1, 1998, is a program that allows the employee to retire without terminating employment for up to five years while retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5% if participation began prior to July 1, 2011 or 1.3% if participation began on or after July 1, 2011. This program is available to eligible members of the Florida Retirement System who are in the FRS Pension Plan. Employee participation in DROP does not change the employee's condition of employment. When the DROP period ends, the employee must terminate employment. At that time, the employee will receive the accumulated DROP benefits and begin receiving monthly retirement benefits. Eligible members may participate in DROP when they are vested (six years) and have reached the normal retirement date, which is being vested at age 62, or 30 years of service. If an employee completes 30 years of service before the age of 57, the employee may elect to defer the DROP election until age 57.

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

Funding Policy: The City is required to contribute 4.91% of their salary for regular members, 14.10% of their salary for special risk members, 6.27% of their salary for senior management and 4.42% of their salary for employees in the D.R.O.P. Program. As of July 1, 2011, employees not in the D.R.O.P. Program are required to contribute 3% of their salary. The contribution requirements of the City may be changed by the Florida Retirement System. The City's contributions to the Florida Retirement System for the years ended September 30, 2011, 2010, and 2009, were \$36,190, \$37,855, and \$57,128, respectively, equal to the actuarially determined contribution requirements for each year. The employees' contributions to the Florida Retirement System for the years ended September 30, 2011 were \$1,872, equal to the actuarially determined contribution requirements for the year. The City has determined, in accordance with GASB Statement No. 27, that there was no pension liability before or at transition.

Defined Contribution Plan

Plan Description and Contribution Requirements—The City provides pension benefits through a defined contribution plan for all full-time employees hired after December 31, 1995 who are not covered by either the Police Officer's Retirement System or the Firefighters' Retirement System. This plan is administered by the Florida Municipal Pension Trust Fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who are at least 18 years of age and have six months of service are eligible to participate in the plan. The resolution adopting the plan requires that the City contribute an amount equal to 10.77 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 reduce the City's current period contribution requirement.

The City's payroll for the year ended September 30, 2011 for eligible employees participating in the plan was \$1,399,721. The City's total payroll for all employees was \$3,649,761.

As of September 30, 2011, the City's contributions to the plan were \$146,673 on behalf of the 46 employees participating. The total required and voluntary employee contributions to the plan amounted to \$33,920.

(13) **Deficits:**

The Airport Fund has an unrestricted net assets deficit of \$1,163,454 at September 30, 2011. This deficit is primarily due to investment by the City in the airport's capital assets, and operating expenses exceeding operating revenues.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

(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, 2011 the city received rent revenue from operating leases of \$225,383.

The following is a schedule for the next five years of minimum future rent revenues from non-cancelable operating leases as of September 30, 2011:

<u>Year Ending September 30</u>	<u>Amount</u>
2012	\$ 96,297
2013	94,074
2014	22,567
2015	11,800
2016	1,000

At September 30, 2011 the value of buildings held for leasing was as follows:

Buildings and hangars	
Cost	\$ 3,538,188
Accumulated depreciation	<u>(979,981)</u>
Net book value	<u>\$ 2,558,207</u>

The City has entered into a lease with a tenant on October 1, 2003 which expires on September 30, 2013, unless extended. The City has granted three options to renew for additional terms of 10 years each. 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 (10) year lease term, including cost 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. To date \$916,666, \$150,540, and \$229,000 of general improvements, tenant specific improvements, and financing costs, respectively, were available for rental offsets in the future. At September 30, 2011, \$646,616 is reported in the Airport fund as deferred revenue in connection with the rental offsets available to use in the future by the tenant.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PENSION AND OPEB FUNDING PROGRESS
SEPTEMBER 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age Normal (b)	Unfunded AAL (uaal) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll ((b- a)/c)
Firefighters' Retirement Trust						
10/01/04	\$ 2,363,295	\$ 2,601,933	\$ 238,638	90.83%	\$ 617,694	38.63%
10/01/05	2,559,504	3,138,324	578,820	81.56%	608,202	95.17%
10/01/06	2,798,112	3,464,093	665,981	80.77%	660,315	100.86%
10/01/07	3,131,140	3,784,277	653,137	82.74%	690,352	94.61%
10/01/08	3,370,070	4,129,874	759,804	81.60%	738,078	102.94%
10/01/09	3,254,690	4,322,855	1,068,165	75.29%	738,380	144.66%
10/01/10	3,449,783	4,524,930	1,075,147	76.24%	680,087	158.09%
Police Officers' Retirement Trust						
10/01/04	\$ 3,543,135	\$ 3,543,135	\$ -	100.00%	\$ 994,853	0.00%
10/01/05	3,916,363	3,916,363	-	100.00%	953,822	0.00%
10/01/06	4,416,529	4,416,529	-	100.00%	976,594	0.00%
10/01/07	4,939,711	4,519,021	(420,689)	109.31%	1,051,409	-40.01%
10/01/08	5,101,456	4,939,141	(162,315)	103.29%	1,041,764	-15.58%
10/01/09	5,172,660	5,147,485	(25,175)	100.49%	967,184	-2.60%
10/01/10	5,268,362	5,555,052	286,690	94.84%	1,025,823	27.95%
Other Post Employment Benefit Plan						
10/01/09*	\$ -	\$ 404,202	\$ 404,202	0.00%	N/A	N/A
10/01/09	-	369,847	369,847	0.00%	N/A	N/A

* Assets and liabilities measured as of October 1, 2010.

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND
OTHER CONTRIBUTING ENTITIES
SEPTEMBER 30, 2011**

Firefighters' Retirement System:

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution*	Percentage Contributed
2004	\$ 75,396	\$ 45,617	\$ 29,779	100%
2005	112,120	98,172	36,339	120%
2006	120,684	92,402	37,674	108%
2007	134,224	103,553	37,674	105%
2008	151,089	140,668	37,674	118%
2009	156,122	118,448	37,674	100%
2010	176,165	140,034	37,096	101%
2011	209,115	175,366	37,096	102%

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

Police Officers' Retirement System:

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution**	Percentage Contributed
2004	\$ 182,820	\$ 140,531	\$ 42,290	100%
2005	201,822	159,532	42,290	100%
2006	215,976	176,952	59,657	110%
2007	186,668	183,301	59,657	130%
2008	244,097	216,425	59,657	113%
2009	201,391	143,488	57,903	100%
2010	223,025	166,953	56,072	100%
2011	261,174	208,760	51,603	100%

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

Other Post Employment Benefit Plan:

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contributed
2011	\$ 53,561	\$ 14,398	27%
2010	55,659	17,901	32%

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, 2011.

CITY OF AVON PARK, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
CRA FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	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	\$ 76,798	\$ 25,939	\$ 18,436	\$ 121,173
Highlands County	92,820	31,351	22,281	146,452
Miscellaneous	7,992	-	5,995	13,987
Total revenues	<u>177,610</u>	<u>57,290</u>	<u>46,712</u>	<u>281,612</u>
Expenditures				
Professional services	20,540	10,661	11,619	42,820
Miscellaneous	1,561	2,530	2,527	6,618
Repairs and maintenance	22,422	-	963	23,385
Grants and subsidies	127,338	14,127	-	141,465
Capital projects	63,928	3,752	58,061	125,741
Total expenditures	<u>235,789</u>	<u>31,070</u>	<u>73,170</u>	<u>340,029</u>
Excess (deficiency) of revenues over expenditures	<u>(58,179)</u>	<u>26,220</u>	<u>(26,458)</u>	<u>(58,417)</u>
Other financing sources (uses)				
Transfers out to Airport	-	-	(26,044)	(26,044)
Fund balances, beginning of year	411,102	64,831	134,267	610,200
Fund balances, end of year	<u>\$ 352,923</u>	<u>\$ 91,051</u>	<u>\$ 81,765</u>	<u>\$ 525,739</u>

**CITY OF AVON PARK, FLORIDA
 COMBINING SCHEDULE OF PLAN NET ASSETS
 PENSION TRUST FUNDS
 SEPTEMBER 30, 2011**

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
Assets			
Interest and dividend receivable	\$ 25,471	\$ 11,795	\$ 37,266
Due from other funds	14,380	8,210	22,590
Contributions receivable from employees	-	1,284	1,284
Due from other governmental agency	-	39,667	39,667
Investments:			
Short-term money market funds	283,314	93,344	376,658
U.S. Government agencies and securities	346,322	535,735	882,057
Mortgage backed securities	300,871	-	300,871
Corporate, municipal, and foreign bonds	1,366,976	668,960	2,035,936
Corporate equity securities	2,368,815	1,697,377	4,066,192
Total assets	4,706,149	3,056,372	7,762,521
Liabilities			
	-	-	-
Net assets held in trust for pension benefits	\$ 4,706,149	\$ 3,056,372	\$ 7,762,521

CITY OF AVON PARK, FLORIDA
COMBINING SCHEDULE OF STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>	<u>Total Pension Trust Funds</u>
Additions			
Contributions			
Employees' contributions	\$ 51,603	\$ 35,425	\$ 87,028
Employer's contributions	208,760	175,366	384,126
State contributions	52,414	39,667	92,081
Total contributions	<u>312,777</u>	<u>250,458</u>	<u>563,235</u>
Investment earnings (loss)			
Net increase (decrease) in investments	(92,290)	30,206	(62,084)
Investment expense	(41,036)	(33,169)	(74,205)
Net investment earnings (loss)	<u>(133,326)</u>	<u>(2,963)</u>	<u>(136,289)</u>
Total additions	<u>179,451</u>	<u>247,495</u>	<u>426,946</u>
Deductions			
Benefits	288,565	190,560	479,125
Administrative expenses	46,256	43,353	89,609
Total deductions	<u>334,821</u>	<u>233,913</u>	<u>568,734</u>
Change in net assets	<u>(155,370)</u>	<u>13,582</u>	<u>(141,788)</u>
Net assets held in trust for pension benefits, beginning of year	4,861,519	3,042,790	7,904,309
Net assets held in trust for pension benefits, end of year	<u>\$ 4,706,149</u>	<u>\$ 3,056,372</u>	<u>\$ 7,762,521</u>

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

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

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avon Park, Florida (the City) as of and for the year ended September 30, 2011, which collectively comprise City of Avon Park, Florida's basic financial statements and have issued our report thereon dated March 30, 2012. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Avon Park Firefighters' Retirement System and Police Officers' Retirement System, as described in our report on the City's financial statements. The financial statements of the Avon Park Firefighters' Retirement System and Police Officers' Retirement System were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

2011-1 Financial Statement Adjustments and Preparation (Prior Year Repeat Comment)

Internal control over financial reporting should be in place to ensure the City is preparing complete and accurate financial statements in accordance with accounting principles generally accepted in the United States (GAAP). While your auditors can assist with the preparation of your financial

statements and related footnotes, the financial statements are the responsibility of management. A material weakness exists because the City does not have the expertise necessary to prepare financial statements, including all required footnote disclosures, in accordance with GAAP. The City staff's knowledge and expertise does not currently allow them to perform all of the functions necessary to prepare the financial statements and note disclosures in accordance with GAAP. Also, a material weakness in internal control over financial reporting exists because material adjusting journal entries to the financial statements were required to ensure the financial statements were presented fairly in accordance with GAAP. This weakness resulted in material understatements and overstatements in various account balances and funds of the City. Substantive testing of account balances, analytical procedures and review of the City's trial balances noted the differences and adjustments necessary. Analysis, reconciliation and adjustment of account balances should be performed to ensure accurate financial reporting which is essential in the Council's decision making process. A thorough review, analysis and reconciliation of each account should be performed during the year-end closing process. Differences identified should be analyzed and adjustments to the general ledger accounts should be made when necessary. The City is unable to complete this process due to the limited finance and accounting staff available to perform these functions. We recommend developing procedures to determine the most effective and efficient use of the time of the City's finance and accounting staff in performing the year-end close out process. Since many of the analyses, reconciliations and adjustments necessary are required each year, a list of these items should be compiled to ensure they are completed annually. Unusual account balances should be identified by the Finance Director and analyzed for proper recording.

Management Response:

Management agrees with prior year comment. There have been changes in staffing during the year of 2011. The City is still in the process of restructuring operations and jobs. The City has implemented segregation of duties, which has reorganized workload for effective, efficient and timely performance. The City has also advertised an RFP for Controller Services to provide for better internal controls.

2011-2 Grant Administration

During our audit, we noted that grants are administered by the relevant department head or by an independent contractor. As a result of decentralized grant administration, grant receivables (and related revenues) totaling \$235,190 were not initially recorded and a cash receipt totaling \$80,138 was posted to grant revenues twice. Further, \$71,483 of the cash receipt should have been applied to reduce grant receivables instead of increasing grant revenue because a portion of the revenues paid on the \$80,138 cash receipt were earned in the prior year. Centralization of the grant administration process ensures the grant schedule and underlying documentation is complete. If the grant schedule is incomplete, the City may fail to receive an audit in accordance with OMB Circular A-133 in the event actual expenditures exceed the threshold for a given year. We recommend the grant administration role be centralized to a City employee. Further, the Finance Department should work closely with the Grant Administrator to ensure proper accounting for grant revenues and receivables.

Management Response:

The Administrative Services Director is the City's grant administrator. She will implement any needed changes, and maintain centralized control over grants.

2011-3 Timeliness of Bank Reconciliations (Prior Year Repeat Comment)

Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind. Additionally, we noted large reconciling differences in the pooled cash bank reconciliations that were not resolved in a timely manner. We recommend that the task of preparing

and reviewing the bank reconciliations be assigned to individuals with the requisite knowledge to perform those functions, including the resolution of significant reconciling differences, in a timely manner. Furthermore, we recommend that the preparer and the reviewer sign and date the bank reconciliations.

Management Response:

Management agrees with this comment. There has been a finance management change since the end of fiscal year 2011. The City employs a Budget/Accounting Supervisor who is overseeing the City's accounting and finances. This position has implemented segregation of duties, which has reorganized workload for effective, efficient and timely performance. The City has also advertised a RFP for Controller Services (CPA) to provide for internal control services. The Controller will be responsible for reviewing and reconciling the general ledger, while the Budget/Accounting Coordinator manages the staff, balances the receivables and reconciles the bank statements.

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. We consider the deficiencies described below to be significant deficiencies.

2011-4 Service Rates

During our audit, we found that septage services were being charged to customers at a rate lower than the rate approved by the City Council. We recommend City management take appropriate action to charge services at the rates approved by Council. This may include asking the Council to ratify the previous rate which was below the rate approved by Council, charge for services moving forward at a rate within a range approved by Council, obtain approval from Council to change the current rate and/or obtain approval from Council for management's discretion to determine the rate to charge for septage services.

We also noted there was no evidence of a periodic reconciliation of accounts receivable and related revenues for septage services from the manual subsidiary ledger (spreadsheet maintained by Public Works) to the general ledger. We recommend the City periodically reconcile both revenue and accounts receivable per the septage subsidiary ledger to the general ledger. This reconciliation should also be signed by the preparer and the reviewer. Furthermore, we recommend the septage receivable balance, along with all receivables, be evaluated at year-end for collectability and to record any necessary allowance.

Management Response:

Septage rates have been charged at five cents per gallon, while grease and secondary residuals are charged at ten cents per gallon. These rates are based on a market analysis, and costs associated to the operation. The rates have not changed since the program was implemented in 2010. If appropriate, a City Council resolution setting rates will be approved.

The Budget/Accounting Coordinator has implemented monthly reconciliation of all accounts receivable and revenues including septage. The reconciliations are being signed by a preparer and reviewer.

2011-5 Review of Journal Entries

During our audit, we noted many journal entries lacked essential supporting documentation to verify the accuracy of the entry as well as evidence that clearly identified the preparer and the reviewer. We recommend all journal entries be maintained and organized in a logical manner with sufficient supporting documentation attached to all journal entries to demonstrate the accuracy of the transaction. Furthermore, we recommend each journal entry be prepared and reviewed by separate accounting personnel with the requisite knowledge to make the entry as well as retaining evidence identifying the individuals preparing and reviewing the journal entry.

Management Response:

The City has implemented procedures for all journal entries. Journal entries are to be prepared by only Budget/Accounting Supervisor or the CPA Controller; the Controller will review all entries before entry for approval. All entries will be signed by preparer, reviewer and data entry staff.

2011-6 Employee Benefit Withholdings

During our audit, we learned that several employees had contributed money to a Health Savings Account through payroll deductions; however, there were numerous discrepancies between the amount deducted from the employee's paychecks and the amount actually deposited into the employees' Health Savings Accounts. Furthermore, there was a significant balance in a trust account held for the benefit of employees that was not allocated to the individual employees' Health Savings Accounts. We recommend the City take immediate steps to research and completely resolve these discrepancies. This may require the City to consult with professionals external to the City.

Management Response:

We learned of these issues during the staffing restructure. The City has since taken the necessary steps to resolve these discrepancies. The City has also changed Banks, which now allows for direct deposits into employee's Health Savings Accounts.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

The City's responses to the findings in our audit are described above. We did not audit the City's responses and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the City of Avon Park, Florida in a separate letter dated March 30, 2012.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this management letter is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co.

Daytona Beach, Florida
March 30, 2012

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS'
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

We have audited the financial statements of the City of Avon Park, Florida (the City), as of and for the year ended September 30, 2011, and have issued our report thereon dated March 30, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financials audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 30, 2012, should be considered in conjunction with this management letter. Other auditors audited the financial statements of the Avon Park Firefighters' Retirement System and Police Officers' Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

- 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 for the matters reported with references to "Prior Year Repeat Comment" in the accompanying Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters and as discussed below in Section 10.554(1)(i)5. In addition, findings 2011-1 and 2011-10 were included in the second preceding fiscal year financial audit report under the same paragraph headings.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Avon Park, Florida has complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Our audit disclosed the following matters required to be disclosed by the Rules of the Auditor General (Section 10.554(1)(i)3.):

2011-7 Approval of Budget Amendments — Information on the City website states that interdepartmental budget amendments larger than \$10,000 must be approved by Council. Management applies the \$10,000 limit at the individual transaction level. However, the impact of amendments over the course of a year often exceeds \$10,000 at the individual account level. Also, since the legal level of control is at the department level, the sum of all changes to individual accounts within a department often exceeds \$10,000. Since there is no clear policy on the budget process, proper application of Council's intent is difficult. We also noted the budget

to actual reports distributed to Council throughout the year include management's adjustments that exceed \$10,000 cumulatively. If Council is to rely on the budget to actual analysis prepared by management, the budget amounts presented should only include amounts approved by Council through the original budget or formal amendments and management adjustments that comply with the intent of Council.

We recommend the budget policies, based on the intent of Council, be formalized into an ordinance. Further, the formal documentation should clarify whether the \$10,000 threshold for Council approval should be applied to cumulative adjustments for a department or to individual transactions. Further, we recommend the budget to actual reports distributed to Council only include budgeted amounts approved by Council, budget amendments approved by Council and management adjustments that comply with the intent of Council.

Management Response:

The City does not agree with establishing an ordinance to implement the accounting practices. In 2012, we will update the policy manual. Under the current policy, cumulative amendments are authorized. This has been the practice for the last 5-years or more.

2011-8 Annual Purchases from Vendors — During our audit, we noted annual purchases for some vendors whose service or product is not identified as exempt from the Purchasing Policy have annual purchases totaling more than \$10,000. Council should determine whether the \$10,000 threshold for council approval set forth in the purchasing policy applies at both the individual purchase level and at the annual level. Currently, the \$10,000 threshold is being applied at the individual purchase level. The purchasing policy should then be updated to reflect the clarification.

We also noted an independent contractor, not providing services within the meaning of "professional services" as defined by the City's purchasing policy, provided services outside the scope of his contract with the City in an amount exceeding \$13,000 in the current year. These additional services were not obtained through the required competitive bid process. We recommend all contracted services follow the City's purchasing and competitive bid process, with the exception of professional services which follow a competitive negotiation process.

Management Response:

The City makes every effort to competitively procure services. In 2012, the Council updated the Purchasing Policy. The current threshold for three formal quotes is based on services or products procured under \$20,000. If the purchase exceeds \$20,000, then the purchase is advertised for sealed bid.

2011-9 Check Signers — The City defines the following individuals as approved check signers: City Manager, Finance Director, Mayor and Deputy Mayor in its cash disbursements process. However, we noted the current Project Manager (Interim City Manager through September 30, 2010) remained an active check signer during the current fiscal year. We recommend the City either update its internal documentation, with Council approval, to include the Project Manager as a check signer or to instruct the bank to remove the Project Manager as a check signer.

Management Response:

The City has updated the Accounting Policy to reflect the necessary approved changes in the check signers' approval section of the manual.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. Our audit disclosed the following matters required to be disclosed by the Rules of the Auditor General (Section 10.554(1)(i)5.):

2011-10 Community Redevelopment Districts (Prior Year Repeat Comment) — 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. Consequently, certain expenditures could be interpreted as unallowable. We recommend a comprehensive analysis of all current and future plans. Based on those plans, we recommend management modify the plans to include more specific reference to the types expenditures expected to occur within the community redevelopment districts now and in the future.

Management Response:

The City will implement the CRA’s Comprehensive Plans.

2011-11 Severance Pay Limits — In accordance with Florida Statute 215.425, severance pay is limited to 20 weeks. The City Manager’s contract signed in September 2011 allows for up to six months of severance pay in certain termination situations. Therefore, the current contract may not comply with state statutes. We recommend the City Manager’s contract be reviewed by the City Attorney and be amended to comply with state statutes.

Management Response:

The City Attorney will review the City Manager’s contract.

2011-12 Billing Adjustments — Billing adjustments must be approved by the Billing Supervisor or the Finance Director depending on the amount of the adjustment. Once the written approval is presented to the cashier, the cashier enters the billing adjustment to the billing system. However, no review is performed to ensure all adjustments are approved. During the audit, we learned of a new control that began in fiscal year 2012 whereby the ability to post utility billing adjustments in the utility billing module was limited to the utility billing supervisor. However, a periodic reasonableness review of all utility billing adjustments for the period is not performed.

Additionally, fees for reconnection and other services that require a work order are posted by the cashier at the time a work order is created. However, no review is performed to ensure that an appropriate fee is processed for each reconnection or other service where a work order is required. We recommend the Billing Supervisor compare all work orders to additional fees billed each day to ensure no work orders were processed without a corresponding fee being posted to a customer’s account.

Management Response:

Management has also implemented this control in 2012. The Utility Billing Supervisor and/or Administrative Services Director is comparing all work orders, adjustments and fees being billed each day to ensure fees are being posted accurately and timely.

2011-13 Utility Deposits — During the audit, we noted no one reconciles the utility deposit account to a list of proper customer deposits. This creates a risk that an employee could misappropriate cash from a deposit. We recommend management periodically review a report generated from the utility billing module that lists new accounts established during the period and the deposit amount to ensure that all new customers have a utility deposit recorded to their

account. Furthermore, we recommend management reconcile the deposits recorded in the utility billing module to the general ledger.

Management Response:

Management has implemented this control in fiscal 2012.

2011-14 Cash Receipts from Recreation Events — We noted that cash receipts are collected at the recreation department. However, prenumbered receipt books are not utilized, nor is a daily cash balancing of cash receipts collected at the recreation department performed. We recommend management require the use of prenumbered receipt books at the recreation department and a daily balancing of cash receipts collected at the recreation department be performed.

Management Response:

Management has implemented this control in fiscal 2012. The City has also acquired interfacing capabilities from the RecTrac program at the Recreation Center to the SunGard financial software in FY 2012. This is going to assist in the tracking of all payments made to the recreation department.

2011-15 Controls over Payroll Processing — We identified two key controls over payroll processing that lacked evidence they were being performed prior to payroll processing. The controls are: (1) total hours for the pay period from the population of approved employee time cards is balanced to a report generated from the payroll system (currently the HTE Hours Proof Listing) and (2) the system generated payroll register for the time period is reviewed for reasonableness. We recommend the City ensure both controls are continually operating in an effective manner and to document evidence of these controls in either a checklist form or on the supporting documents themselves along with a sign-off by the individual performing the procedure.

Management Response:

These procedures have been implemented in FY 2012.

2011-16 Inventory Counts (Prior Year Repeat Comment) — An inventory is performed each September 30th and ten test counts are performed by members of the finance department. During the audit, we noted errors on three of the ten test counts. The amount of the error was relatively small; however, obtaining accurate physical counts is important. We recommend that someone not involved in the inventory count or initial compilation check for clerical errors by refooting and re-extending the inventory items on a test basis and that inventory reconciliations be computed to identify the reconciling items between the general ledger and inventory counts in order to test the accuracy of the inventory system and, therefore, provide more accurate financial information.

Management Response:

Management has implemented a procedure in FY 2012 that requires an inventory count by the Public Works department quarterly. Annual inventory count will continually be done by the Finance Department for control purposes.

- Section 10.554(1)(i)6., 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. City of Avon Park, Florida was created and reestablished as a municipal government when its present charter was approved by the voters at a general referendum in 1931 and by the Laws of Florida 14622 and the Act of 1929. There are no component units of City of Avon Park, Florida to be disclosed as required by accounting principles generally accepted in the United States of America.

- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the financial emergency 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 of Avon Park, Florida, did not meet any of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Avon Park, Florida for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Avon Park, Florida'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 same.

The City's responses to the findings in our audit are described above. We did not audit the City's responses and, accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this management letter is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Daytona Beach, Florida
March 30, 2012