

# City of Avon Park Florida

THEN...



First Fire Station; built in 1928.

NOW...



New Fire Station; built in 1979.

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended September 30, 2007**

**CITY OF AVON PARK, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2007**

**Prepared by the Finance Department**  
**Renée A. Green, CPA, Finance Director**

**CITY OF AVON PARK, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**PRINCIPAL OFFICIALS**

**For the Fiscal Year Ended September 30, 2007**

**CITY COUNCIL**

**Sharon Schuler, Mayor**  
**George Hall, Deputy Mayor**  
**Brenda Gray**  
**Al Joe Hinson**  
**Joe Wright**

**INTERIM CITY MANAGER**

**Sarah Adelt**

**FINANCE DIRECTOR**

**Renée A. Green, CPA**

**CITY ATTORNEY**

**Gerald T. Buhr, P.A.**

**INDEPENDENT AUDITORS**

**The NCT Group CPA's, L.L.P.**

**CITY OF AVON PARK, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended September 30, 2007**

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# **CITY OF AVON PARK**

## **Highlands County, Florida**

**Office of the City Manager  
110 East Main Street  
Avon Park, Florida 33825**

April 9, 2008

To the Citizens of the City of Avon Park, Florida:

I am pleased to present to you, the citizens of Avon Park, the Comprehensive Annual Financial Report (CAFR) of the City of Avon Park, Florida, (the City) for the fiscal year ended September 30, 2007.

The Finance Director and her staff prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Finance Director of the City. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. In addition, all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have also been included.

### **SIGNIFICANT CHANGES IN PRESENTATION**

This is the fourth year the City prepared the CAFR and the fourth year using the financial reporting requirements as prescribed by GASB Statement No. 34. This GASB Statement requires management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

### **PROFILE**

The City is located on U.S. Highway 27 in Highlands County, Florida, in the center of the state. It was founded in 1886 and incorporates 7.65 square miles within its corporate limits. The City, a municipality under the laws of the State of Florida, was incorporated in 1926 when Florida Law Chapter 12512 approved its original charter. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by State Statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council (Council).

The City has operated under the council-city manager form of government since 1986. The Council is comprised of the Mayor and four Council persons. The Council serves as the policy-making and legislative authority. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the City's manager and attorney. The City Manager is

responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the City and for appointing the heads of the various departments.

The City provides public safety, public works, recreation and general government services to its approximately 9,056 residents. The City also operates water and wastewater, airport and solid waste enterprises.

The annual budget serves as the foundation for the City's financial planning and control. All departments are required to submit requests for appropriations to the City's Finance Director by June 1 each year. The Finance Director uses these requests as a starting point for developing a proposed budget. The Finance Director and the City Manager present the proposed budget to the Council for review. Public hearings are held in September and the budget is adopted by the end of September.

### **ECONOMIC OUTLOOK**

The City is known as "The City of Charm", "The City of Champions" and "Home of the Mile Long Mall".

Citrus and its related industries, retail sales and service industries provide the primary source of economic activity in Highlands County. Highlands County ranks second in the state for beef cattle production. The taxable value of real property increased 21 percent in 2007. New construction accounted for \$7,496,021 additional growth in the tax base for a total of \$267,864,237 in gross value.

Avon Park Executive Airport (AVO) is located on State Road 64 in Avon Park approximately ½ mile west of U.S. Highway 27. The 325-acre airport services general aviation aircraft and pilots. It is the home of four aviation-related businesses, two corporate hangars and 58 single and twin engine T-hangars. In addition to aviation related activities, the airport is home to a caladium bulb processing facility that ships internationally. The airport provides approximately 85 jobs to the local community. Current projects include an update of the Airport Master Plan and Airport Layout Plan, construction of a new Fixed Based Operations/Administrative Building and a Runway Safety Area Study.

Avon Park is experiencing moderate growth with eleven new commercial businesses, twelve new multi-family units, sixteen single family homes and eighteen mobile homes. The City is extending utility services to a new elementary school south of the City and will in the near future connect the City's water system in Sebring Ridge to the main system. There are approximately 1,600 acres planned for primarily residential development that will be serviced by the City utilities and ultimately annexed into the City limits.

### **FINANCIAL INFORMATION**

Readers of this report are encouraged to read the MD&A report. The MD&A provides basic financial information about the City and an overview of the City's activities

### **INDEPENDENT AUDIT**

The City's financial statements have been audited by The NCT Group, CPA's L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluation the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering

an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

In addition to meeting the requirements set forth in the Florida Statutes Section 218.39, the audit also was designed to meet the requirements of *Government Auditing Standards*, the Single Audit Act Amendments of 1996, related OMB Circular A-133, and Rules of the Auditor General, Chapter 10.550. The auditor's reports pertaining to the single audit are included in the Single Audit Section of this report.

### **CASH MANAGEMENT**

Cash temporarily idle during the year was invested in the Local Government Surplus Funds Trust Fund. The Local Government Surplus Funds Trust Fund was established to assist units of local government in maximizing net earnings on invested surplus funds, reducing the need for the imposition of additional taxes upon local constituents. The portfolio objective is to provide a short-term, very liquid, and high quality investment.

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. See Notes to the Financial Statements Note 17 for further details.

### **RISK MANAGEMENT**

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 for risks in the areas of property, automobile, general liability, workmen's compensation, and public officials' liability.

### **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avon Park for its CAFR for the fiscal year ended September 30, 2006. This was the second year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

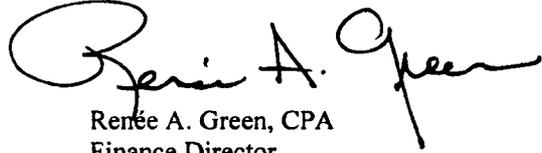
The certificate of achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

  
Sarah Adelt  
Interim City Manager

  
Renée A. Green, CPA  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avon Park  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



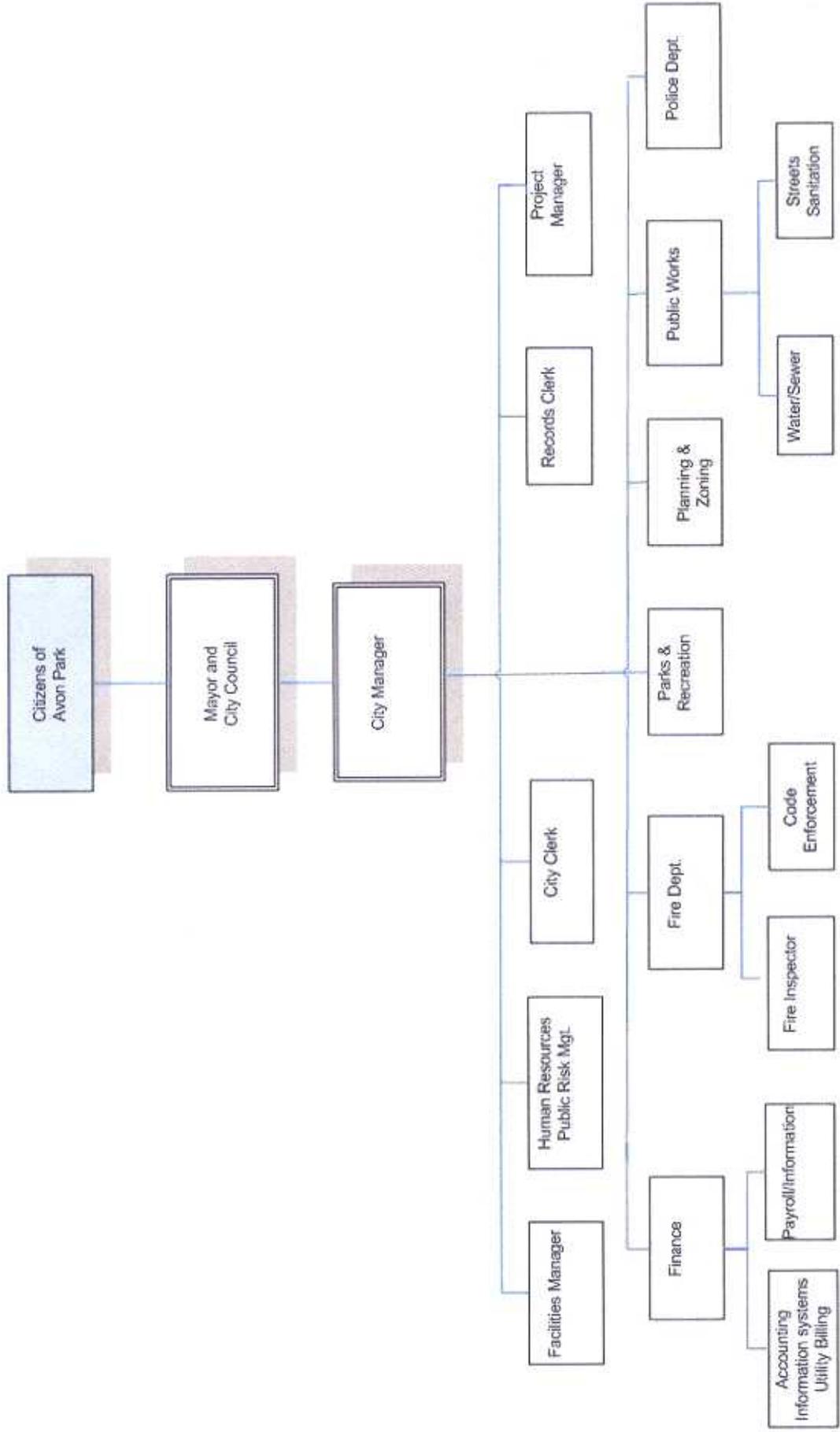
*Chene S. Cox*

President

*Jeffrey R. Ennis*

Executive Director

# CITY OF AVON PARK ORGANIZATIONAL CHART





# The NCT Group CPA's, L.L.P.

Certified Public Accountants and Consultants

## INDEPENDENT AUDITOR'S 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 the City of Avon Park, Florida (the "City"), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City as of September 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the infrastructure fund 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 April 9, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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.

The Management's Discussion and Analysis on pages 9 through 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Schedule of Contributions from Employer and Other Contributing Entities and accompanying notes on the pension plans and the schedules of capital assets used in the operations of governmental funds are not required as part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The information identified in the table of contents as Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit*, and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

*The NCT Group CPA's, L.L.P.*

THE NCT GROUP CPA's, L.L.P.

Sebring Office

April 9, 2008

## 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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 – 4 of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$23,442,357. Of this amount, \$1,894,859 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City reported combined ending fund balances of \$3,739,039, a decrease of \$332,567 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$391,354 or 5 percent of total general fund expenditures.
- The City's noncurrent liabilities decreased by \$714,980 (7 percent) during the current year. The factors in this change are principal payments of \$1,380,879 and an increase in loans payable of \$659,132, a decrease in landfill closure liabilities of \$10,790 and an increase in compensated absences of \$17,557.

### 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 23 through 25 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. The general fund and the infrastructure fund are considered to be major funds. The Community Development Block Grant fund and the three Community Redevelopment Agency funds (Main Street, South Side, and Airport) are considered nonmajor 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 and infrastructure fund and combined for the nonmajor funds.

The City adopts an annual appropriated budget for its general fund, infrastructure fund, and the three community redevelopment agency funds. A budgetary comparison statement or schedule has been provided for each of these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 26 through 28 of this report.

#### ***Proprietary Funds***

The City of Avon Park maintains three proprietary (enterprise) 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 31 through 35 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 36 through 37 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 38 through 69 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 70 through 72 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 \$23,442,357 at the close of the most recent fiscal year.

The largest portion of the City's net assets (88 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 (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,894,859) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets for the governmental activities. Business-type activities report a negative balance in unrestricted net assets.

The amounts presented in the following tables for the fiscal year ended September 30, 2007 have been adjusted to reflect the change for reporting the Community Redevelopment Agency funds as blended component units as discussed in Note 13.

A comparative summary of the City's assets, liabilities, and net assets is presented in the following table for the fiscal years ended September 30, 2007 and 2006:

**CITY OF AVON PARK'S NET ASSETS**

	<b>Governmental Activities 2007</b>	<b>Governmental Activities 2006</b>	<b>Business- type Activities 2007</b>	<b>Business- type Activities 2006</b>	<b>Total 2007</b>	<b>Total 2006</b>
Current and other assets	\$ 4,418,439	\$ 4,238,032	\$ 1,869,674	\$ 1,955,498	\$ 6,288,113	\$ 6,193,530
Capital assets, net	8,057,875	6,656,414	19,988,405	17,940,161	28,046,280	24,596,575
<b>Total Assets</b>	<b>12,476,314</b>	<b>10,894,446</b>	<b>21,858,079</b>	<b>19,895,659</b>	<b>34,334,393</b>	<b>30,790,105</b>
Noncurrent liabilities	2,278,241	2,089,742	7,142,230	8,045,709	9,420,471	10,135,451
Other liabilities	709,333	194,571	762,232	762,649	1,471,565	957,220
<b>Total liabilities</b>	<b>2,987,574</b>	<b>2,284,313</b>	<b>7,904,462</b>	<b>8,808,358</b>	<b>10,892,036</b>	<b>11,092,671</b>
Net assets:						
Invested in capital assets, net of related debt	6,882,006	4,525,250	13,887,130	10,827,944	20,769,136	15,353,194
Restricted	581,465	738,326	196,897	33,222	778,362	771,548
Unrestricted	2,025,269	3,343,057	(130,410)	226,135	1,894,859	3,569,192
<b>Total net assets</b>	<b>\$ 9,488,740</b>	<b>\$ 8,606,633</b>	<b>\$13,953,617</b>	<b>\$11,087,301</b>	<b>\$23,442,357</b>	<b>\$19,693,934</b>

A comparative summary of the City's changes in net assets is presented in the following table for the fiscal years ended September 30, 2007 and 2006:

**CITY OF AVON PARK'S CHANGES IN NET ASSETS**

	<b>Governmental Activities 2007</b>	<b>Governmental Activities 2006</b>	<b>Business- type Activities 2007</b>	<b>Business- type Activities 2006</b>	<b>Total 2007</b>	<b>Total 2006</b>
Revenues:						
Program revenues:						
Charges for Services	\$ 1,100,423	\$ 950,465	\$ 5,303,635	\$ 4,943,010	\$ 6,404,058	\$ 5,893,475
Operating grants and contributions	568,588	390,049	-	-	568,588	390,049
Capital grants and contributions	640,221	432,888	2,346,747	506,962	2,986,968	939,850
General revenues:						
Property taxes	1,763,855	1,482,245	-	-	1,763,855	1,482,245
Other taxes	2,667,611	2,692,245	-	-	2,667,611	2,692,245
Other	1,196,174	1,224,450	99,763	60,752	1,295,937	1,285,202
Total revenues	<u>7,936,872</u>	<u>7,172,342</u>	<u>7,750,145</u>	<u>5,510,724</u>	<u>15,687,017</u>	<u>12,683,066</u>
Expenses:						
General government	839,227	696,838	-	-	839,227	696,838
Public safety	4,425,156	4,113,474	-	-	4,425,156	4,113,474
Physical environment	655,262	617,352	-	-	655,262	617,352
Culture and recreation	880,605	899,661	-	-	880,605	899,661
Economic environment	253,856	68,606	-	-	253,856	68,606
Interest on long-term debt	83,058	84,037	-	-	83,058	84,037
Water and sewer	-	-	3,139,165	2,944,524	3,139,165	2,944,524
Airport	-	-	421,861	477,787	421,861	477,787
Solid Waste	-	-	1,240,404	1,183,211	1,240,404	1,183,211
Total expenses	<u>7,137,164</u>	<u>6,479,968</u>	<u>4,801,430</u>	<u>4,605,522</u>	<u>11,938,594</u>	<u>11,085,490</u>
Increase in net assets before transfers	799,708	692,374	2,948,715	905,202	3,748,423	1,597,576
Transfers	82,399	203,570	(82,399)	(203,570)	-	-
Increase in net assets	882,107	895,944	2,866,316	701,632	3,748,423	1,597,576
Net assets, beginning	8,606,633	7,710,689	11,087,301	10,385,669	19,693,934	18,096,358
Net assets, ending	<u>\$ 9,488,740</u>	<u>\$ 8,606,633</u>	<u>\$ 13,953,617</u>	<u>\$ 11,087,301</u>	<u>\$23,442,357</u>	<u>\$19,693,934</u>

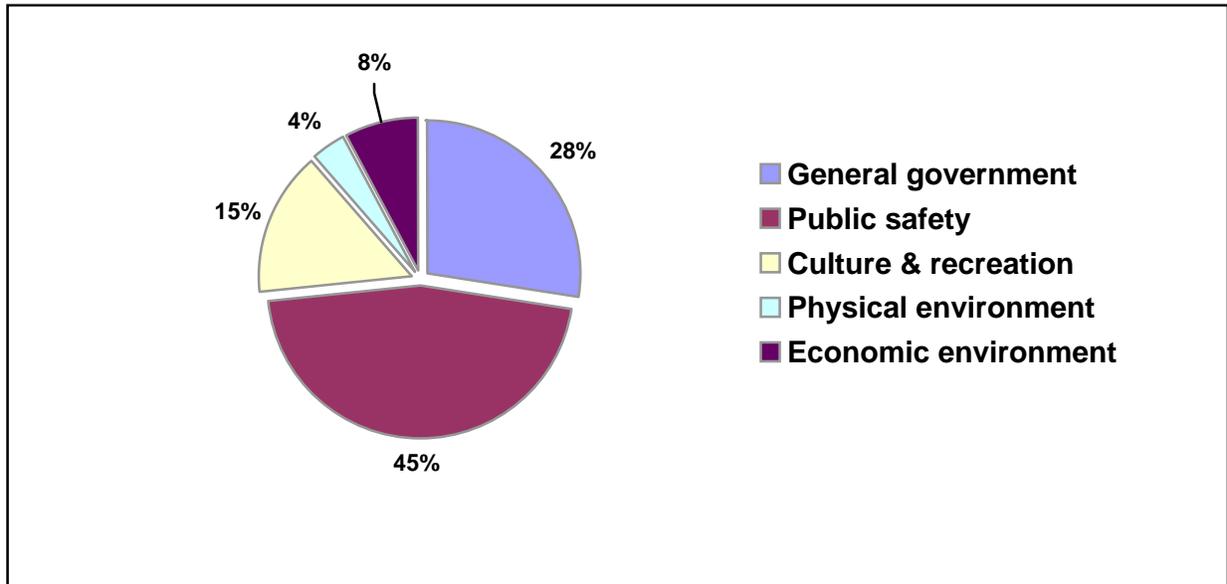
### Governmental Activities

Governmental activities increased by \$882,107 thereby accounting for 24 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

- The City’s governmental activities had net expenses of \$4,827,932. 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 \$2,848,952.
- Property taxes increased by \$281,610 (19 percent) during the year. Operating grants and contributions and capital grants and contributions increased by \$207,805. This was due to amounts received for the TEA21 streetscape project in the current year of \$582,195 and the decrease of FRDAP grants of \$375,700.

The following chart presents program revenues by governmental activities for the 2006-07 fiscal year:

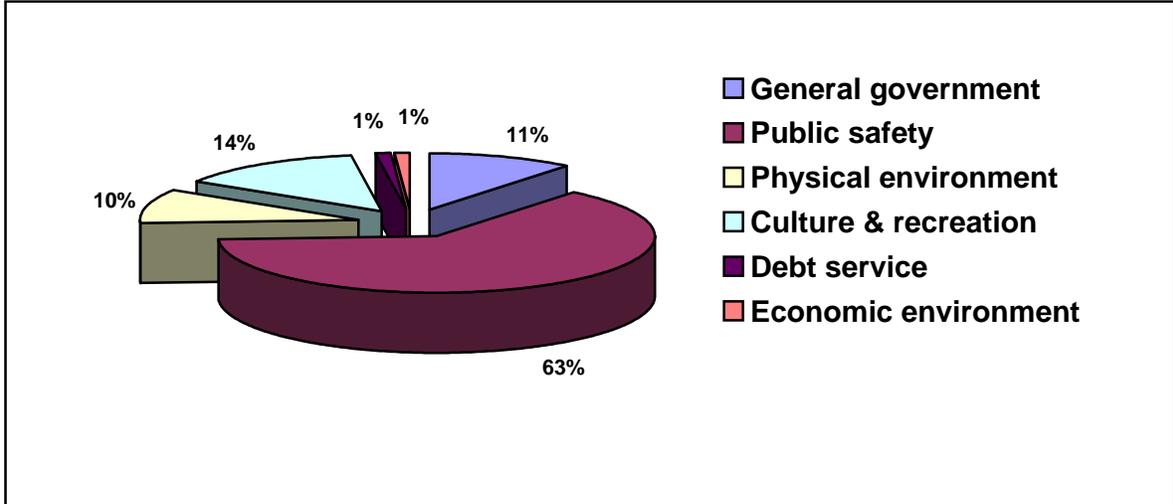
**PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES**



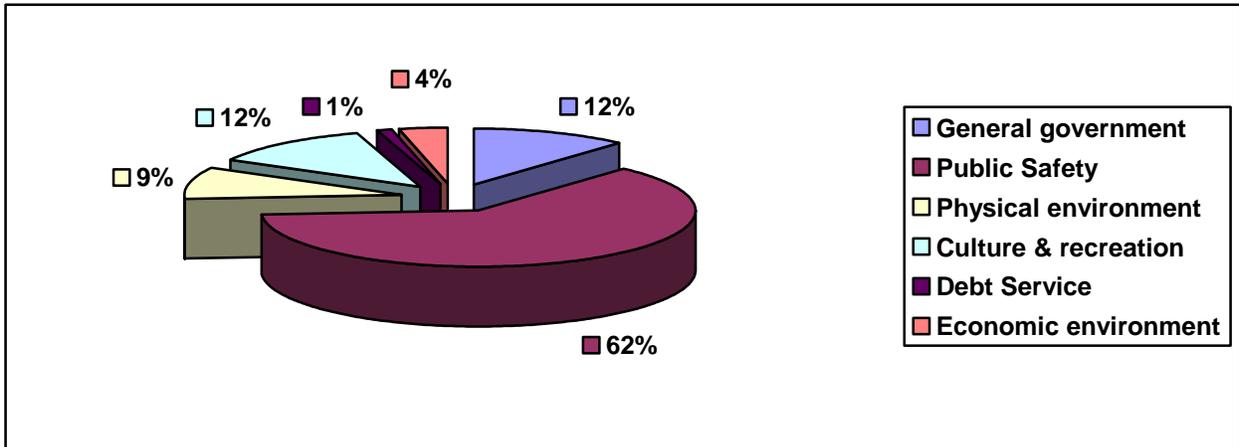
The following charts present program expenses by governmental activities for the 2006-07 fiscal years:

### PROGRAM EXPENSES – GOVERNMENTAL ACTIVITIES

#### 2005-06 Fiscal Year

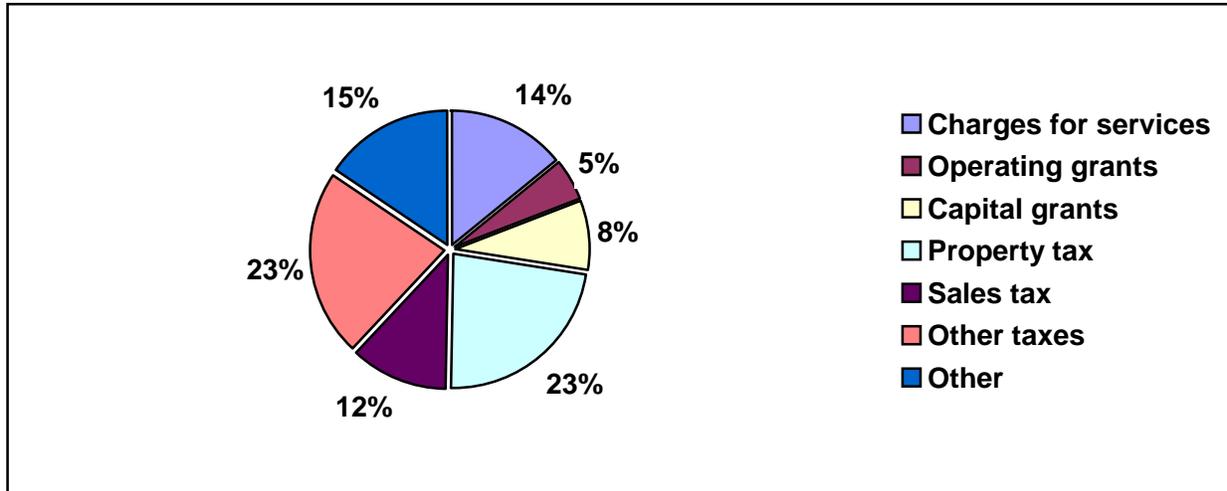


#### 2006-07 Fiscal Year



The following chart presents revenues by source for governmental activities for the 2006-07 fiscal year:

### REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



#### Business-type Activities

Business-type activities account for 60 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 \$2,866,316. Key elements of this increase were as follows:

Charges for services for business-type activities increased 7 percent. The water/sewer fund charges for services increased \$263,620 due to rate increase of 3 percent, customer base increase of 2 percent and consumption increase of 2 percent.

Investments in capital assets, net of related debt for business-type activities increased by 28% due to increase in airport capital assets by \$2,340,636 which consist primarily of \$1,715,275 for Runway Rehab and Design, \$296,170 for Tie-Down Apron (CIP), \$185,056 for completion of T Hangars twin, and increase in of \$179,103 in construction in progress of FBO Building.

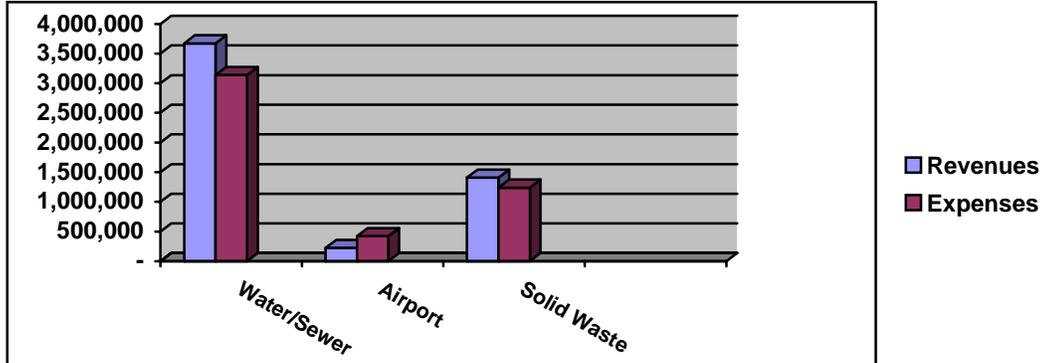
The Airport fund has a deficit of unrestricted net assets in the amount of \$314,351, an increase from prior year of \$135,541 due to the funds received being invested in "capital" assets.

The Airport Fund is showing an operating loss of \$187,674. Operating revenues received were not enough to cover the operating expenses. We have hired an airport manager and he will be addressing this problem in the coming year.

The Solid Waste Fund has an operating income of \$190,000. Charges for services increased 2 percent (\$22,712) due to an increase of 3 percent in customers. Operating expenses increased by \$53,225 (5 percent) due to the rental of two trucks for approximately \$28,850 and repairs and maintenance on vehicles increased by \$8,964,

The following chart presents program expenses and revenue for business-type activities for the 2006-07 fiscal year:

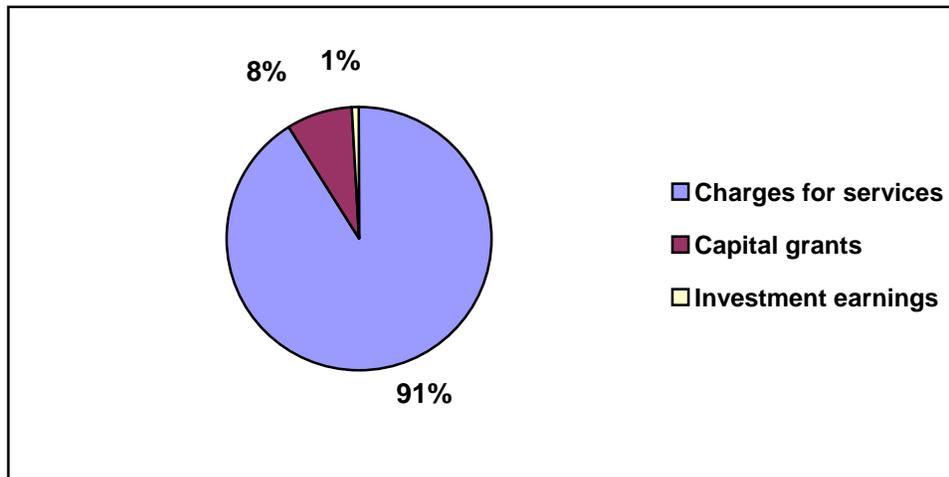
**EXPENSES AND PROGRAM REVENUES- BUSINESS-TYPE ACTIVITIES**



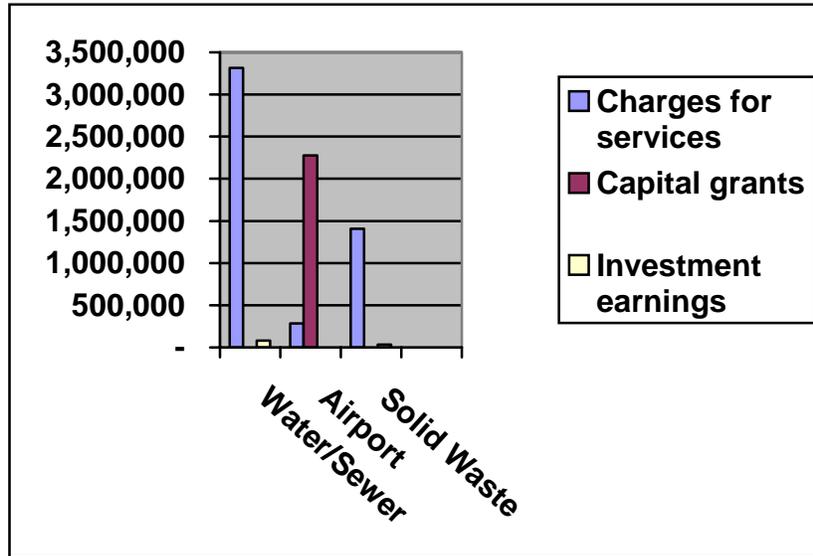
The following charts present revenues by source for business-type activities for the 2005-06 and 2006-07 fiscal years:

**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES**

**2005-06 Fiscal Year**



2006-07 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 \$3,739,039, a decrease of \$332,567 in comparison of the prior year. Approximately \$1,528,796, or 41 percent, is in unreserved fund balance, which is available for spending at the City’s discretion. The remainder of fund balance is reserved to indicate it is not available for new spending as it has been committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$391,354 while total fund balance reached \$1,576,694. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 5 percent of total general fund expenditures, while total fund balance represents 20 percent of that same amount.

The fund balance of the City’s general fund decreased \$798,065 during the current fiscal year. Key factors for this decrease were a \$535,000 increase in expenditures for the TEA 21 downtown grant and police purchases of equipment of approximately \$50,000.

The fund balance of the City’s infrastructure fund increased \$331,032 during the current fiscal year. Key factors in this increase were due to reductions in the purchase of capital outlay of \$91,953 and an increase of interest income of \$8,003.

### **Proprietary Funds**

The City'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 \$(101,391). The Airport fund and Solid Waste funds unrestricted net assets were (\$314,351) and \$285,332, 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 \$157,677 increase in revenues and a \$231,787 increase in expenditures. These differences were as follows:

- Intergovernmental revenues increased \$122,302 due to State contributions for the fire pension funds of approximately \$52,320 and other grants totaling approximately \$79,882.
- Public Safety expenditures increased \$100,547 due to increase of \$52,320 for the Fire Pension contribution, \$21,700 for fire salaries, \$12,400 for operating supplies for fire and code enforcement and \$12,965 in police grants.
- Culture and Recreation increased \$47,607 due to an increase State Department of Agriculture grant of \$34,000, and \$14,000 in lawn maintenance.
- Capital Outlay expenditures increased \$51,913 due to \$20,000 for Donaldson Park, \$9,023 for machinery for the fire department, a police Byrne Grant of \$9,900, and LLEBG of \$4,500 for the police department and other purchases of computers.

### **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, 2007 amounts to \$28,046,280 (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 increase in the City's investment in capital assets for the current fiscal year was 14 percent (a 21 percent increase for governmental activities and a 11 percent increase for business-type activities).

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 \$193,601.
- Mall Restoration in the governmental funds \$33,000.
- Equipment in the governmental funds increased \$408,186 due to the purchase of a new fire truck for \$376,900; safety equipment for new fire truck for \$15,000, K-9 Shepherd for \$7,500, and a Kennel for \$5,600 for the K-9 dogs for the police department.

- Projects for airport improvements increased \$2,506,110. This included \$1,715,275 for rehab of runway 927, \$296,179 for Tie-Down Apron, \$185,056 for the completion of twin engine T hangars, and \$296,170 for the FBO Building.
- Water and sewer improvements included water and sewer mains, extensions, improvements to the system, and equipment. The total additions for the year were approximately \$80,960. Equipment purchases were approximately \$61,541 and the Lake Damon Lift Station was \$143,700.

A comparative summary of capital assets, net of accumulated depreciation for the fiscal years ended September 30, 2007 and 2006 is presented in the following table:

**CITY OF AVON PARK'S CHANGES IN NET ASSETS**

	<b>Governmental Activities 2007</b>	<b>Governmental Activities 2006</b>	<b>Business- type Activities 2007</b>	<b>Business- type Activities 2006</b>	<b>Total 2007</b>	<b>Total 2006</b>
Land	\$ 316,634	\$ 295,614	\$ 818,360	\$ 818,360	\$ 1,134,994	\$ 1,113,974
Buildings and systems	3,029,190	2,998,603	16,114,259	13,860,468	19,143,449	16,859,071
Machinery and equipment	1,957,221	1,757,571	2,299,496	2,375,943	4,256,717	4,133,514
Infrastructure	1,487,556	1,339,515	-	-	1,487,556	1,339,515
Construction in Progress	1,267,274	265,111	756,290	885,390	2,023,564	1,150,501
<b>Total</b>	<b>\$ 8,057,875</b>	<b>\$ 6,656,414</b>	<b>\$ 19,988,405</b>	<b>\$ 17,940,161</b>	<b>\$ 28,046,280</b>	<b>\$ 24,596,575</b>

Additional information on the City's capital assets can be found on Note 4 on pages 52 through 54 of this report.

**Long-term debt**

At the end of the current fiscal year, the City had total debt outstanding of \$9,420,471. Of this amount, \$4,485,000 comprises debt secured by specific revenue sources (revenue bonds) and \$4,935,471 is for notes payable and other obligations.

A comparative summary of long-term debt for the fiscal years ended September 30, 2007 and 2006 is presented in the following table:

**CITY OF AVON PARK'S CHANGES IN NET ASSETS**

	<b>Governmental Activities 2007</b>	<b>Governmental Activities 2006</b>	<b>Business- type Activities 2007</b>	<b>Business- type Activities 2006</b>	<b>Total 2007</b>	<b>Total 2006</b>
Loans payable and other obligations	\$ 2,278,241	\$ 2,089,742	\$ 2,657,230	\$ 3,125,709	\$ 4,935,471	\$ 5,215,451
Revenue bonds	-	-	4,485,000	4,920,000	4,485,000	4,920,000
<b>Total</b>	<b>\$ 2,278,241</b>	<b>\$ 2,089,742</b>	<b>\$ 7,142,230</b>	<b>\$ 8,045,709</b>	<b>\$ 9,420,471</b>	<b>\$ 10,135,451</b>

The City's total debt decreased \$714,980 (7 percent) during the current fiscal year. The City maintains an "AAA" rating from Standard & Poor's, an "AAA" rating from Fitch, and an "Aaa" rating from Moody's for water/sewer debt.

Governmental activities debt includes a loan for street improvements that is secured by a pledge of non-ad valorem revenues. The loan payable at the end of the current fiscal year is \$1,410,000.

Business-type activities debt includes the purchase of an existing water system south of Avon Park in Sebring Ridge in January 2005 in the amount of \$1,800,000. The loan payable at the end of the current fiscal year is \$810,369 in the water and sewer fund.

Additional information on the City's long-term debt can be found in Note 6 on pages 55 through 58 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. Positive economic growth is correlated with increased 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 increased approximately 21 percent over last year.
- New construction increased 96 percent over last year primarily due to construction of Wal-Mart and Newsom Eye Center.
- The unemployment rate for the County was 4.9 percent for the month of December 2007, which is slightly higher than the state of Florida rate of 4.4 percent and the national rate of 4.8 percent.

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

Based on information received from the Highlands County Property Appraiser's Office, the estimated annual loss of property tax revenues for our City from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$194,255. At present, there is no

accurate way to determine the impact of the portability and assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues. Estimates for our City at this time are not available.

### **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.

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2007**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,430,657	\$ -	\$ 1,430,657
Investments	581,465	-	581,465
Accounts receivable, net	186,368	603,546	789,914
Internal balances	1,583,558	(1,583,558)	-
Due from other governments	629,971	215,428	845,399
Prepaid items	6,420	-	6,420
Inventory	-	215,480	215,480
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	2,095,632	2,095,632
Intangible asset	-	122,922	122,922
Deferred charges	-	200,224	200,224
Capital assets not being depreciated	1,583,908	1,574,650	3,158,558
Capital assets - net of accumulated depreciation	6,473,967	18,413,755	24,887,722
<b>Total Assets</b>	<b>12,476,314</b>	<b>21,858,079</b>	<b>34,334,393</b>
<b>Liabilities</b>			
Accounts payable	534,998	125,325	660,323
Accrued liabilities	134,012	26,841	160,853
Accrued interest payable	29,933	69,284	99,217
Unearned revenue	10,390	-	10,390
Customer deposits payable	-	540,782	540,782
Noncurrent liabilities:			
Due within one year	446,322	1,179,449	1,625,771
Due in more than one year	1,831,919	5,962,781	7,794,700
<b>Total Liabilities</b>	<b>2,987,574</b>	<b>7,904,462</b>	<b>10,892,036</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,882,006	13,887,130	20,769,136
Restricted for:			
Capital projects	581,465	-	581,465
System improvements	-	196,897	196,897
Unrestricted	2,025,269	(130,410)	1,894,859
<b>Total Net Assets</b>	<b>\$ 9,488,740</b>	<b>\$ 13,953,617</b>	<b>\$ 23,442,357</b>

See accompanying notes to financial statements.

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 839,227	\$ 8,325	\$ 20,000	\$ 607,135
Public Safety	4,425,156	979,019	72,000	8,086
Physical Environment	655,262	62,609	-	24,000
Culture and Recreation	880,605	50,470	298,521	1,000
Economic Environment	253,856	-	178,067	-
Debt Service:				
Interest on Long-Term Debt	83,058	-	-	-
Total Governmental Activities	<u>7,137,164</u>	<u>1,100,423</u>	<u>568,588</u>	<u>640,221</u>
<b>Business-Type Activities:</b>				
Water and Sewer	3,139,165	3,672,544	-	-
Airport	421,861	222,695	-	2,346,747
Solid Waste	1,240,404	1,408,396	-	-
Total Business-Type Activities	<u>4,801,430</u>	<u>5,303,635</u>	<u>-</u>	<u>2,346,747</u>
Total Primary Government	<u>\$ 11,938,594</u>	<u>\$ 6,404,058</u>	<u>\$ 568,588</u>	<u>\$ 2,986,968</u>

General Revenues:  
Taxes:  
Property Taxes  
Sales Tax  
Services Taxes  
Franchise Taxes  
Utility Taxes  
Fuel Taxes  
Unrestricted State Shared Revenues  
Investment Earnings  
Gain (Loss) On Sale of Capital Assets  
Miscellaneous  
Transfers  
Total General Revenues and Transfers  
Change in Net Assets  
Net Assets - Beginning, as restated  
See Note 13  
Net Assets - Ending

See accompanying notes to financial statements.

**Net (Expense) Revenue and Changes in Net Assets**  
**Primary Government**

<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-Type</u></b> <b><u>Activities</u></b>	<b><u>Total</u></b>
\$ (203,767)	\$ -	\$ (203,767)
(3,366,051)	-	(3,366,051)
(568,653)	-	(568,653)
(530,614)	-	(530,614)
(75,789)	-	(75,789)
(83,058)	-	(83,058)
(4,827,932)	-	(4,827,932)
-	533,379	533,379
-	2,147,581	2,147,581
-	167,992	167,992
-	2,848,952	2,848,952
(4,827,932)	2,848,952	(1,978,980)
1,763,855	-	1,763,855
914,793	-	914,793
355,120	-	355,120
532,044	-	532,044
625,394	-	625,394
240,260	-	240,260
1,034,922	-	1,034,922
124,509	112,783	237,292
7,499	(13,020)	(5,521)
29,244	-	29,244
82,399	(82,399)	-
5,710,039	17,364	5,727,403
882,107	2,866,316	3,748,423
8,606,633	11,087,301	19,693,934
\$ 9,488,740	\$ 13,953,617	\$ 23,442,357

**CITY OF AVON PARK, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

	<u>General</u>	<u>Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 347,687	\$ 744,303	\$ 338,667	\$ 1,430,657
Investments	581,465	-	-	581,465
Accounts receivable, net	186,368	-	-	186,368
Prepaid expense	6,420	-	-	6,420
Due from other funds	-	84,688	78,556	163,244
Due from other governments	539,125	80,858	9,988	629,971
Advances to other funds	558,655	1,024,903	-	1,583,558
<b>Total Assets</b>	<u>\$ 2,219,720</u>	<u>\$ 1,934,752</u>	<u>\$ 427,211</u>	<u>4,581,683</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 498,624	\$ 36,334	\$ 40	\$ 534,998
Accrued liabilities	134,012	-	-	134,012
Due to other funds	-	78,556	84,688	163,244
Deferred revenue	10,390	-	-	10,390
<b>Total Liabilities</b>	<u>643,026</u>	<u>114,890</u>	<u>84,728</u>	<u>842,644</u>
<b>Fund Balances</b>				
Reserved for:				
Law Enforcement	38,738	-	-	38,738
Street Improvements	581,465	-	-	581,465
Bouis Fountain	6,482	-	-	6,482
Advances	558,655	1,024,903	-	1,583,558
Unreserved, reported in:				
General Fund	391,354	-	-	391,354
Special Revenue Funds	-	794,959	342,483	1,137,442
<b>Total Fund Balances</b>	<u>1,576,694</u>	<u>1,819,862</u>	<u>342,483</u>	<u>3,739,039</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,219,720</u>	<u>\$ 1,934,752</u>	<u>\$ 427,211</u>	

**Amounts reported for governmental activities in the statement of net assets are different because:**

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	8,057,875
Long-term liabilities, including bonds payable, capital leases, and accrued compensated absences are not due and payable in the current period, and therefore are not reported in the funds.	(2,278,241)
Accrued general long-term debt interest expenses are not financial uses, and therefore are not reported in the funds.	(29,933)
Net assets of governmental activities	<u>\$ 9,488,740</u>

See accompanying notes to financial statements

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>General</u>	<u>Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 3,358,483	\$ 914,793	\$ 297,771	\$ 4,571,047
Licenses and permits	51,213	-	-	51,213
Intergovernmental revenues	2,282,341	-	24,000	2,306,341
Charges for services	844,293	-	-	844,293
Fines and forfeitures	105,174	-	-	105,174
Interest income	63,410	53,452	7,277	124,139
Miscellaneous revenues	74,696	-	207	74,903
<b>Total Revenues</b>	<u>6,779,610</u>	<u>968,245</u>	<u>329,255</u>	<u>8,077,110</u>
<b>Expenditures</b>				
Current:				
General government	794,233	-	-	794,233
Public safety	4,131,301	-	-	4,131,301
Physical environment	567,461	-	-	567,461
Culture and recreation	738,344	-	-	738,344
Economic environment	318,305	-	75,789	394,094
Capital outlay	1,564,931	211,281	192,556	1,968,768
Debt service				
Principal retirement	-	190,005	-	190,005
Interest and other debt service	-	84,770	-	84,770
<b>Total Expenditures</b>	<u>8,114,575</u>	<u>486,056</u>	<u>268,345</u>	<u>8,868,976</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,334,965)</u>	<u>482,189</u>	<u>60,910</u>	<u>(791,866)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	160,000	-	78,556	238,556
Transfers out	-	(151,157)	(5,000)	(156,157)
Proceeds from issuance of debt	376,900	-	-	376,900
<b>Total Other Financing Sources (Uses)</b>	<u>536,900</u>	<u>(151,157)</u>	<u>73,556</u>	<u>459,299</u>
<b>Net Change in Fund Balances</b>	(798,065)	331,032	134,466	(332,567)
<b>Fund Balances, beginning of year, as restated, See Note 13</b>	<u>2,374,759</u>	<u>1,488,830</u>	<u>208,017</u>	<u>4,071,606</u>
<b>Fund Balances, end of year</b>	<u>\$ 1,576,694</u>	<u>\$ 1,819,862</u>	<u>\$ 342,483</u>	<u>\$ 3,739,039</u>

See accompanying notes to financial statements

**CITY OF AVON PARK, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Net change in fund balances - total governmental funds \$ (332,567)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,968,768) exceeded depreciation (\$564,668) in the current period. 1,404,100

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the the cost of capital assets sold. (2,639)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (188,499)

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 (a decrease in accrued interest of \$1,712). 1,712

Change in net assets of governmental activities \$ 882,107

See accompanying notes to financial statements.

**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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Taxes	\$ 3,277,726	\$ 3,277,726	\$ 3,358,483	\$ 80,757
Licenses and permits	21,000	21,000	51,213	30,213
Intergovernmental revenues	3,005,118	3,127,420	2,282,341	(845,079)
Charges for services	871,244	871,244	844,293	(26,951)
Fines and forfeitures	154,000	154,000	105,174	(48,826)
Interest income	25,000	25,000	63,410	38,410
Miscellaneous revenues	58,800	94,175	74,696	(19,479)
<b>Total Revenues</b>	<u>7,412,888</u>	<u>7,570,565</u>	<u>6,779,610</u>	<u>(790,955)</u>
<b>Expenditures</b>				
Current:				
General government	941,802	943,102	794,233	148,869
Public safety	3,959,824	4,060,371	4,131,301	(70,930)
Physical environment	615,733	587,833	567,461	20,372
Culture and recreation	799,087	846,694	738,344	108,350
Economic environment	82,000	140,320	318,305	(177,985)
Capital outlay	2,034,357	2,086,270	1,564,931	521,339
<b>Total Expenditures</b>	<u>8,432,803</u>	<u>8,664,590</u>	<u>8,114,575</u>	<u>550,015</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>(1,019,915)</u>	<u>(1,094,025)</u>	<u>(1,334,965)</u>	<u>(240,940)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	210,000	210,000	160,000	(50,000)
Debt proceeds	880,000	880,000	376,900	(503,100)
<b>Total Other Financing Sources (Uses)</b>	<u>1,090,000</u>	<u>1,090,000</u>	<u>536,900</u>	<u>(553,100)</u>
<b>Net Change in Fund Balances</b>	70,085	(4,025)	(798,065)	(794,040)
<b>Fund Balances, beginning of year</b>	<u>-</u>	<u>6,285</u>	<u>2,374,759</u>	<u>2,368,474</u>
<b>Fund Balances, end of year</b>	<u>\$ 70,085</u>	<u>\$ 2,260</u>	<u>\$ 1,576,694</u>	<u>\$ 1,574,434</u>

See accompanying notes to financial statements.

**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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 954,848	\$ 954,848	\$ 914,793	\$ (40,055)
Interest income	13,000	13,000	53,452	40,452
<b>Total Revenues</b>	<u>967,848</u>	<u>967,848</u>	<u>968,245</u>	<u>397</u>
<b>Expenditures</b>				
Capital outlay	963,365	1,048,840	211,281	837,559
Debt service				
Principal retirement	174,114	174,114	190,005	(15,891)
Interest and other debt service	93,800	93,800	84,770	9,030
<b>Total Expenditures</b>	<u>1,231,279</u>	<u>1,316,754</u>	<u>486,056</u>	<u>830,698</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(263,431)</u>	<u>(348,906)</u>	<u>482,189</u>	<u>831,095</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(151,157)	(151,157)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(151,157)</u>	<u>(151,157)</u>
<b>Net Change in Fund Balances</b>	(263,431)	(348,906)	331,032	679,938
<b>Fund Balances, beginning of year</b>	<u>263,431</u>	<u>308,906</u>	<u>1,488,830</u>	<u>1,179,924</u>
<b>Fund Balances, end of year</b>	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ 1,819,862</u>	<u>\$ 1,859,862</u>

See accompanying notes to financial statements.

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Assets</b>				
<b>Current Assets</b>				
Restricted cash and cash equivalents:				
Revenue bond covenant accounts	\$ 418,038	\$ -	\$ -	\$ 418,038
Accounts receivable, net	404,269	96,321	102,956	603,546
Due from other governments	-	215,428	-	215,428
Inventory	215,480	-	-	215,480
<b>Total Current Assets</b>	<b>1,037,787</b>	<b>311,749</b>	<b>102,956</b>	<b>1,452,492</b>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents				
Customer deposits	-	39,865	-	39,865
Revenue bond covenant accounts	889,106	-	-	889,106
Impact fees	196,897	-	-	196,897
Landfill closure	-	-	551,726	551,726
Intangible asset - net	-	-	122,922	122,922
Deferred charges	200,224	-	-	200,224
Advances to other funds	-	-	379,196	379,196
Capital Assets:				
Land	182,893	635,467	-	818,360
Buildings and system	20,079,696	8,410,558	-	28,490,254
Machinery and equipment	3,127,928	3,544	1,043,920	4,175,392
Construction in progress	50,903	705,387	-	756,290
Less accumulated depreciation	(11,441,049)	(2,147,835)	(663,007)	(14,251,891)
<b>Total Capital Assets</b>	<b>12,000,371</b>	<b>7,607,121</b>	<b>380,913</b>	<b>19,988,405</b>
<b>Total Noncurrent Assets</b>	<b>13,286,598</b>	<b>7,646,986</b>	<b>1,434,757</b>	<b>22,368,341</b>
<b>Total Assets</b>	<b>14,324,385</b>	<b>7,958,735</b>	<b>1,537,713</b>	<b>23,820,833</b>

(continued)

See accompanying notes to financial statements.

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS (Concluded)**  
**SEPTEMBER 30, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	79,037	5,838	40,450	125,325
Accrued liabilities	18,914	220	7,707	26,841
Compensated absences payable	55,847	-	12,648	68,495
Accrued interest payable	69,284	-	-	69,284
Loan payable - current	563,580	54,237	33,840	651,657
Capital leases payable - current	-	-	14,297	14,297
Revenue bonds payable - current	445,000	-	-	445,000
<b>Total Current Liabilities</b>	<b>1,231,662</b>	<b>60,295</b>	<b>108,942</b>	<b>1,400,899</b>
<b>Noncurrent Liabilities</b>				
Customer deposits payable	500,917	39,865	-	540,782
Compensated absences payable	59,497	-	30,932	90,429
Loan payable - net of current portion	653,068	275,205	124,348	1,052,621
Revenue bonds payable - net of current portion	4,040,000	-	-	4,040,000
Landfill closure	-	-	779,731	779,731
Advances from other funds	1,342,712	620,042	-	1,962,754
<b>Total Noncurrent Liabilities</b>	<b>6,596,194</b>	<b>935,112</b>	<b>935,011</b>	<b>8,466,317</b>
<b>Total Liabilities</b>	<b>7,827,856</b>	<b>995,407</b>	<b>1,043,953</b>	<b>9,867,216</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	6,401,023	7,277,679	208,428	13,887,130
Restricted for system improvements	196,897	-	-	196,897
Unrestricted	(101,391)	(314,351)	285,332	(130,410)
<b>Total Net Assets</b>	<b>\$ 6,496,529</b>	<b>\$ 6,963,328</b>	<b>\$ 493,760</b>	<b>\$ 13,953,617</b>

See accompanying notes to financial statements.

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for services	\$ 3,315,147	\$ 217,843	\$ 1,405,864	\$ 4,938,854
Miscellaneous revenue	32,215	4,852	2,532	39,599
<b>Total Operating Revenues</b>	<u>3,347,362</u>	<u>222,695</u>	<u>1,408,396</u>	<u>4,978,453</u>
<b>Operating Expenses</b>				
Personal services	1,004,621	11,169	392,871	1,408,661
Materials, supplies, services, and other operating expenses	1,230,975	204,514	710,445	2,145,934
Depreciation	667,057	194,686	115,080	976,823
<b>Total Operating Expenses</b>	<u>2,902,653</u>	<u>410,369</u>	<u>1,218,396</u>	<u>4,531,418</u>
<b>Operating Income (Loss)</b>	<u>444,709</u>	<u>(187,674)</u>	<u>190,000</u>	<u>447,035</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest revenue	79,233	-	33,550	112,783
Interest expense	(214,265)	(11,492)	(8,350)	(234,107)
Impact fees	307,384	-	-	307,384
Loss on sale of capital assets	-	-	(13,020)	(13,020)
Insurance proceeds	17,798	-	-	17,798
Amortization expense	(22,247)	-	(13,658)	(35,905)
<b>Total Nonoperating Revenue (Expenses)</b>	<u>167,903</u>	<u>(11,492)</u>	<u>(1,478)</u>	<u>154,933</u>
<b>Income (Loss) before transfers</b>	612,612	(199,166)	188,522	601,968
Capital contributions - capital grants	-	2,346,747	-	2,346,747
Transfer in	-	72,601	-	72,601
Transfer out	(150,000)	(5,000)	-	(155,000)
<b>Change in Net Assets</b>	462,612	2,215,182	188,522	2,866,316
<b>Total Net Assets, beginning of year</b>	<u>6,033,917</u>	<u>4,748,146</u>	<u>305,238</u>	<u>11,087,301</u>
<b>Total Net Assets, end of year</b>	<u>\$ 6,496,529</u>	<u>\$ 6,963,328</u>	<u>\$ 493,760</u>	<u>\$ 13,953,617</u>

See accompanying notes to financial statements.

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 3,343,763	\$ 89,407	\$ 1,409,800	\$ 4,842,970
Cash payments to suppliers for goods and services	(1,238,354)	(289,530)	(721,398)	(2,249,282)
Cash payments to employees for services	(995,472)	(11,154)	(385,281)	(1,391,907)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,109,937</b>	<b>(211,277)</b>	<b>303,121</b>	<b>1,201,781</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Impact fees	307,384	-	-	307,384
Insurance proceeds	17,798	-	-	17,798
Proceeds from non-capital debt	102,300	-	-	102,300
Transfers from (to) other funds	(214,125)	513,562	(379,196)	(79,759)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>213,357</b>	<b>513,562</b>	<b>(379,196)</b>	<b>347,723</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for asset acquisitions and construction	(321,319)	(2,535,322)	(181,787)	(3,038,428)
Transfer from infrastructure for asset acquisitions	-	72,601	-	72,601
Proceeds from capital debt	-	-	179,932	179,932
Principal paid on notes payable	(640,369)	(8,606)	(62,249)	(711,224)
Principal paid on revenue bonds payable	(435,000)	-	-	(435,000)
Interest paid	(210,825)	(11,492)	(8,350)	(230,667)
Proceeds from capital grants	-	2,188,217	-	2,188,217
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,607,513)</b>	<b>(294,602)</b>	<b>(72,454)</b>	<b>(1,974,569)</b>
<b>Cash Flows From Investing Activities</b>				
Receipts of interest	79,233	-	33,550	112,783
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>79,233</b>	<b>-</b>	<b>33,550</b>	<b>112,783</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(204,986)</b>	<b>7,683</b>	<b>(114,979)</b>	<b>(312,282)</b>
<b>Cash and Cash Equivalents, October 1, 2006</b>	<b>1,709,027</b>	<b>32,182</b>	<b>666,705</b>	<b>2,407,914</b>
<b>Cash and Cash Equivalents, September 30, 2007</b>	<b>\$ 1,504,041</b>	<b>\$ 39,865</b>	<b>\$ 551,726</b>	<b>\$ 2,095,632</b>

(continued)

See accompanying notes to financial statements.

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (concluded)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Totals</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>				
<b>    Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 444,709	\$ (187,674)	\$ 190,000	\$ 447,035
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	667,057	194,686	115,080	976,823
Adjustment to rent for improvements made by tenant	-	(44,650)	-	(44,650)
Change in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(66,316)	(96,321)	1,404	(161,233)
(Increase) decrease in prepaid	34,368	-	-	34,368
(Increase) decrease in inventory	(51,869)	-	-	(51,869)
Increase (decrease) in accounts payable	10,122	(85,016)	(163)	(75,057)
Increase (decrease) in accrued liabilities	148	15	638	801
Increase (decrease) in compensated absences	9,001	-	6,952	15,953
Increase (decrease) in customer deposits	62,717	7,683	-	70,400
Increase (decrease) in landfill closure	-	-	(10,790)	(10,790)
<b>Net Cash Provided (Used)</b>				
<b>    By Operating Activities</b>	<u>\$ 1,109,937</u>	<u>\$ (211,277)</u>	<u>\$ 303,121</u>	<u>\$ 1,201,781</u>
<b>Reconciliation of Total Cash and Cash Equivalents</b>				
Current assets - restricted cash and cash equivalents	418,038	-	-	418,038
Noncurrent assets - restricted cash and cash equivalents	<u>1,086,003</u>	<u>39,865</u>	<u>551,726</u>	<u>1,677,594</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 1,504,041</u>	<u>\$ 39,865</u>	<u>\$ 551,726</u>	<u>\$ 2,095,632</u>
<b>Noncash investing, capital and financing activities:</b>				
Reduction in note payable through rent credits	\$ -	\$ 44,650	\$ -	\$ 44,650

See accompanying notes to financial statements.

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2007**

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 579,574
Interest and dividend receivable	37,192
Contributions receivable	14,040
Due from other governmental agency	91,165
Investments at fair value:	
U.S. Government securities	370,685
U.S. Government agencies	453,703
Corporate bonds	953,795
Mortgage backed securities	561,022
Corporate stocks	5,496,427
	<u>8,557,603</u>
<b>Total Assets</b>	<u>8,557,603</u>
<b>Total Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Held in trust for pension benefits	<u><u>\$ 8,557,603</u></u>

See accompanying notes to financial statements.

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u><b>Pension Trust Funds</b></u>
<b>Additions:</b>	
Contributions:	
Employer	\$ 445,084
Plan member	93,244
Total contributions	<u>538,328</u>
Investment Earnings:	
Net appreciation in fair value of investments	676,013
Interest and dividends	469,785
Total investment earnings	<u>1,145,798</u>
Less investment expenses	<u>(68,443)</u>
Net investment earnings	<u>1,077,355</u>
<b>Total Additions</b>	<u>1,615,683</u>
<b>Deductions:</b>	
Benefits	203,417
Administration expense	61,952
<b>Total Deductions</b>	<u>265,369</u>
<b>Change in Net Assets</b>	1,350,314
<b>Net Assets, beginning of year</b>	<u>7,207,289</u>
<b>Net Assets, end of year</b>	<u><u>\$ 8,557,603</u></u>

See accompanying notes to financial statements.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 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 7.65 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 present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

**Blended Component Units**

The Firefighters' Retirement System and the Police Officers' Retirement System (the "Funds") are governed by five member boards of which two board members are appointed by City Council, two board members are elected by the members of the Funds, and one board member is appointed by the four aforementioned elected board members. Although the Funds are legally separate from the City, they satisfy the criteria in GASB Statement No. 14 for blending. The Funds are reported as if they were part of the primary government as Pension Trust Funds because their sole purpose is to invest and administer the assets of the funds for the benefit of City employees. Separate financial statements for the Funds are not presently developed.

The City created three Community Redevelopment Agencies (CRAs), which are responsible for the redevelopment of defined areas within the city limits. Each CRA was created by a city ordinance pursuant to Florida Statutes. In prior years, each CRA was had a separate board appointed by the City Council and, accordingly was reported as a discretely presented component unit. Effective for the 2007 fiscal year, the City Council sits as the governing board for each CRA satisfying the criteria in GASB Statement No. 14 for blending. The City and Highlands County are obligated to remit to the CRA additional ad valorem taxes resulting from an increase in the assessed value, above a designated base year, of property within its redevelopment area. The CRAs are presented as a governmental fund type. Separate financial statements for the CRAs are not presently developed.

**Related Organization**

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.

**B. Measurement Focus and Basis of Accounting**

The basic financial statements of the City are composed of the following:

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

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus and Basis of Accounting (continued)**

**Government-wide Financial Statements**

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

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gain, losses, assets, 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*.

Program revenues derive 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. The City chooses to eliminate the indirect costs between governmental activities to avoid a "doubling-up" effect.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (agency). 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

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus and Basis of Accounting (continued)**

**Fund Financial Statements (continued)**

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 are 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.

**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. 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.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus and Basis of Accounting (continued)**

**Fund Financial Statements (concluded)**

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

**Proprietary Funds**

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

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

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

**Basis of Presentation**

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

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus and Basis of Accounting (concluded)**

**Governmental 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.

**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.

**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 the Community Redevelopment Agency funds on a basis consistent with the basis of accounting utilized for the respective funds; that is the modified accrual basis. A legally adopted annual budget is not prepared for the Community Development Block Grant Fund. The Community Development Block Grant is a multi-year grant, which has a budget prepared for the total program as outlined in the grant agreement.

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 includes principal payments.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgets and Budgetary Accounting (concluded)**

Budgets are not prepared for the Pension Trust Funds.

The legal level of budgetary control is at the department level. In the current year, the City’s Infrastructure Fund expenditures for the fire department exceeded the approved final budget by \$7,955; General Fund expenditures for the police department exceeded the approved final budget in total by \$85,500; General Fund expenditures for the Home Investment Partnership Program exceeded the approved final budget by \$178,067; and General Fund expenditures for other government services exceeded the approved final budget in total by \$218,766.

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, \$3,739,039, differs from “net assets” of governmental activities, \$9,488,740, 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.

**Capital Related Items**

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 12,447,405
Accumulated depreciation	(4,389,530)
Total capital assets	<u>\$ 8,057,875</u>

**Long-term Debt Transactions**

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances as of September 30, 2007 were:

Notes payable	\$ 1,757,334
Compensated absences	520,907
Total	<u>\$ 2,278,241</u>

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Accrued Interest**

Accrued liabilities in the statement of net assets differ from the amount reported in governmental funds due to accrued interest.

Accrued interest on capital leases payable and notes payable      \$29,933

**Explanation of Differences Between the Governmental Fund Operating Statement and the Statement of Activities:**

The “net change in fund balances” for governmental funds, (\$332,567), differs from the “change in net assets” for governmental activities, \$882,107, 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. The effect of the differences is illustrated below.

**Capital Related Items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 1,968,768
Depreciation expense	<u>(564,668)</u>
Difference	<u><u>\$ 1,404,100</u></u>

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.

Sale of capital assets	<u><u>\$ (2,639)</u></u>
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**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Long-term Debt Transactions**

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Note Proceeds	\$ (376,900)
Principal repayments	190,005
Net change in compensated absences	<u>(1,604)</u>
Difference	<u><u>\$ (188,499)</u></u>

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.

Net change in accrued interest payable	<u><u>\$ 1,712</u></u>
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**Reclassification and Eliminations**

Transfers in and transfers out in the amount of \$83,556 and payments of \$140,238 between governmental activities are 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.

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 investments in the Florida State Board of Administration's Local Government Surplus Trust Fund Investment Pool (Pool) and short-term investments, which are stated at amortized cost.

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

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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**

Restricted assets in the Enterprise Funds consist of customer deposits to ensure against nonpayment of billings and/or property damage. The deposits remain the property of the customers and, therefore, are not available for current operations. Additionally, 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 transfers in and out, respectively.

Transfers are reported in the "Other Financing Sources (Uses)" section in the Statement of Revenues, Expenditures, and Changes in Fund Balances and in the "Transfers" section in the Statement of Revenues, Expenses, and Changes in Fund Net 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 "Reserved for advances" to maintain the accountability and to properly disclose the amount available for appropriation (unreserved 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 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, 2007 amounts to \$122,922.

**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

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Capital Assets (concluded)**

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.

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.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Compensated Absences (concluded)**

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.

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, 2007, 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. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences is liquidated in the fund in which an employee's payroll expense is normally recorded.

**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.

**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**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

**Q. Property Taxes**

Ad valorem taxes for the current fiscal year (beginning October 1, 2006) are assessed on July 1, 2006 based on property values of January 1, 2006. The taxes are billed in the month of November 2006 by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due November 1, 2006 (levy date) and become delinquent April 1, 2007. Tax certificates are issued for delinquent taxes by June 1, 2007 (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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Deposits**

At September 30, 2007, the carrying amount of the City's deposits was \$1,424,081 and the bank balance was \$1,750,571. 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 \$1,800 cash on hand and \$2,679,982 held with the Local Government Surplus Funds Trust Fund at September 30, 2007.

**Investments**

As of September 30, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Mutual funds	\$ 581,465	\$ 581,465	\$ -	\$ -	\$ -
U.S. Government securities	370,685	75,516	50,031	73,313	171,825
U.S. Government agencies	453,703	80,575	84,025	100,949	188,154
Corporate bonds	953,795	148,323	411,647	285,533	108,292
Mortgage backed securities	561,022	-	-	51,374	509,648
Corporate stocks	5,496,427	5,496,427	-	-	-
Total fair value	<u>\$ 8,417,097</u>	<u>\$ 6,382,306</u>	<u>\$ 545,703</u>	<u>\$ 511,169</u>	<u>\$ 977,919</u>

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

**Investments (continued)**

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments of current operating funds to have maturities of no longer than 18 months. Investments of 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 for each type of investment in debt securities.

<u>Rating as of Year-End</u>	<u>U. S. Government Securities</u>	<u>U.S. Government Agencies</u>	<u>Corporate Bonds</u>	<u>Mortgage Backed Securities</u>
Exempt from Disclosure	\$ 370,685	\$ 453,703	\$ -	\$ -
AAA	-	-	-	561,022
AA	-	-	69,286	-
A+	-	-	318,416	-
A	-	-	232,361	-
A-	-	-	145,232	-
AA-	-	-	110,273	-
BBB+	-	-	48,480	-
BBB	-	-	29,747	-
Total	<u>\$ 370,685</u>	<u>\$ 453,703</u>	<u>\$ 953,795</u>	<u>\$ 561,022</u>

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

All 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.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

**Investments (concluded)**

*Custodial Credit Risk (concluded)*

The City invests funds throughout the year with the Local Government Surplus Funds Trust Fund, an investment pool administered by the State Board of Administration (SBA) under the regulatory oversight of the State of Florida. Throughout the year and as of September 30, 2007, the SBA contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 64.14% of the SBA's portfolio at September 30, 2007. Local Government Surplus Trust Fund investments are considered to be in a Rule 2a7-like pool and are reported at amortized cost as cash equivalents. See additional information in Note 17.

The City's \$7,835,632 of investments in U.S. Government Securities, U.S. Government Agencies, Corporate Bonds, Corporate Equities, and Mortgage Backed Securities, which are owned by the Police Officers Retirement System and the Firefighters' Retirement System, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City's investment policy allows purchases of securities from financial institutions which are qualified as public depositories by the Treasurer of the State of Florida or from securities dealers that are members of the New York Stock Exchange having a physical presence in Florida, and having a minimum regulatory capital in excess of fifty million dollars or primary securities dealers as designated by the Federal Reserve Bank of New York.

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

**NOTE 3 - RECEIVABLES**

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

	<b>Governmental</b>		<b>Business-Type Activities</b>			<b>Total</b>
	<b>Activities</b>			<b>Water and</b>	<b>Solid</b>	
	<b>General</b>	<b>Sewer</b>	<b>Airport</b>	<b>Waste</b>		
Utility and franchise taxes	\$ 107,582	\$ -	\$ -	\$ -	\$ 107,582	
Code enforcement	70,498	-	-	-	70,498	
Water and sewer charges	-	407,252	-	-	407,252	
Solid waste charges	-	-	-	125,364	125,364	
Grants	-	-	87,193	-	87,193	
Miscellaneous	8,288	-	9,478	-	17,766	
Gross receivables	186,368	407,252	96,671	125,364	815,655	
Allowance for doubtful accounts	-	(2,983)	(350)	(22,408)	(25,741)	
	<u>\$ 186,368</u>	<u>\$ 404,269</u>	<u>\$ 96,321</u>	<u>\$ 102,956</u>	<u>\$ 789,914</u>	

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 295,614	\$ 21,020	\$ -	\$ -	\$ 316,634
Construction in process	265,111	1,038,127	-	(35,964)	1,267,274
Total capital assets, not being depreciated	<u>560,725</u>	<u>1,059,147</u>	<u>-</u>	<u>(35,964)</u>	<u>1,583,908</u>
Capital assets, being depreciated:					
Buildings	4,479,414	73,685	(15,000)	100,612	4,638,711
Equipment	4,286,692	642,335	(234,147)	(69,148)	4,625,732
Infrastructure	1,400,953	193,601	-	4,500	1,599,054
Total capital assets, being depreciated:	<u>10,167,059</u>	<u>909,621</u>	<u>(249,147)</u>	<u>35,964</u>	<u>10,863,497</u>
Less accumulated depreciation for:					
Buildings	(1,480,811)	(143,710)	15,000	-	(1,609,521)
Equipment	(2,529,121)	(370,898)	231,508	-	(2,668,511)
Infrastructure	(61,438)	(50,060)	-	-	(111,498)
Total accumulated depreciation	<u>(4,071,370)</u>	<u>(564,668)</u>	<u>246,508</u>	<u>-</u>	<u>(4,389,530)</u>
Total capital assets, being depreciated, net	<u>6,095,689</u>	<u>344,953</u>	<u>(2,639)</u>	<u>35,964</u>	<u>6,473,967</u>
Governmental activities capital assets, net	<u>\$ 6,656,414</u>	<u>\$ 1,404,100</u>	<u>\$ (2,639)</u>	<u>\$ -</u>	<u>\$ 8,057,875</u>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 818,360	\$ -	\$ -	\$ -	\$ 818,360
Construction in process	885,390	597,626	-	(726,726)	756,290
Total capital assets, not being depreciated	<u>1,703,750</u>	<u>597,626</u>	<u>-</u>	<u>(726,726)</u>	<u>1,574,650</u>
Capital assets, being depreciated:					
Buildings and system	25,566,395	2,197,133	-	726,726	28,490,254
Machinery and equipment	4,085,346	243,328	(153,282)	-	4,175,392
Total capital assets, being depreciated:	<u>29,651,741</u>	<u>2,440,461</u>	<u>(153,282)</u>	<u>726,726</u>	<u>32,665,646</u>
Less accumulated depreciation for:					
Buildings and system	(11,705,927)	(670,068)	-	-	(12,375,995)
Machinery and equipment	(1,709,403)	(306,755)	140,262	-	(1,875,896)
Total accumulated depreciation	<u>(13,415,330)</u>	<u>(976,823)</u>	<u>140,262</u>	<u>-</u>	<u>(14,251,891)</u>
Total capital assets, being depreciated, net	<u>16,236,411</u>	<u>1,463,638</u>	<u>(13,020)</u>	<u>726,726</u>	<u>18,413,755</u>
Business-type activities capital assets, net	<u>\$ 17,940,161</u>	<u>\$ 2,061,264</u>	<u>\$ (13,020)</u>	<u>\$ -</u>	<u>\$ 19,988,405</u>

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 4 - CAPITAL ASSETS (continued)**

The Water and Sewer Fund fixed asset records contain \$3,472,524 of costs associated with water and sewer plants including improvements that are not currently in operation. The net book value of these assets at September 30, 2007 is \$-0-.

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

Governmental activities:	
General government	\$ 42,085
Public safety	292,521
Physical environment	87,801
Culture and recreation	142,261
Total depreciation expense - governmental activities	<u>\$ 564,668</u>
Business-type activities:	
Water and sewer	\$ 667,057
Airport	194,686
Solid waste	115,080
Total depreciation expense - business-type activities	<u>\$ 976,823</u>

At September 30, 2007, the City had the following outstanding construction commitments and construction in process in governmental activities:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to September 30, 2007</u>	<u>Commitment</u>
Main Street Streetscaping	\$ 1,008,377	\$ 1,035,749	\$ -
Streets, sidewalks, and curbs	6,100	6,100	-
Museum Avenue Streetscape	750,000	123,700	626,300
Verona drainage project	43,390	44,484	-
City Hall Retrofit	146,344	1,975	144,369
Mall Improvements FHBC	25,000	20,000	5,000
Watershed management plan	100,000	35,266	64,734
	<u>\$ 2,079,211</u>	<u>\$ 1,267,274</u>	<u>\$ 840,403</u>

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 4 - CAPITAL ASSETS (concluded)**

At September 30, 2007, the City had the following outstanding major construction commitments and construction in process in business-type activities:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to September 30, 2007</u>	<u>Commitment</u>
<b>Water and Sewer Fund</b>			
Hydro Tank Grouper Well	\$ -	\$ 8,110	\$ -
U.S. 27 North widening	100,000	42,793	57,207
	<u>\$ 100,000</u>	<u>\$ 50,903</u>	<u>\$ 57,207</u>
<b>Airport Fund</b>			
FBO building	\$ 460,000	\$ 256,620	\$ 203,381
Corporate Hangar B	250,000	18,006	231,994
Tie down apron	300,000	333,170	-
Airport drainage	2,577,182	97,591	2,479,591
	<u>\$ 3,587,182</u>	<u>\$ 705,387</u>	<u>\$ 2,914,966</u>

**NOTE 5 – RESTRICTED ASSETS**

Restricted assets include those provided for by resolutions adopted by the Council. Total restricted assets as of September 30, 2007, were as follows:

Solid Waste - Landfill Escrow	<u>\$ 551,726</u>
Airport - Customer Deposits	<u>39,865</u>
Water and Sewer	
Impact Fees	196,897
Loan Debt Service Account:	
Principal	418,038
Revenue Bond Covenant Accounts	<u>889,106</u>
	<u>1,504,041</u>
Total Restricted Assets	<u>\$ 2,095,632</u>

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 6 – LONG-TERM LIABILITIES**

**Capital Leases**

On November 18, 2002 the City entered into a lease-purchase agreement with Citibank, N.A. for the purchase of a refuse truck. Payments of \$1,933, including interest at 4.29 percent, are due monthly.

On March 28, 2003, the City entered into a lease-purchase agreement with Bank of America Leasing and Capital, L.L.C for the purchase of a garbage truck. Payments of \$1,436, including interest at 3.16 percent, are due monthly.

These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<b><u>Business-Type Activities</u></b>
Asset:	
Machinery and equipment	\$ 184,042
Less: accumulated depreciation	<u>(120,425)</u>
Total	<u><u>\$ 63,617</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007, were as follows:

<b><u>Year Ended September 30,</u></b>	<b><u>Business-Type Activities</u></b>
2008	\$ 14,416
Less: amount representing interest	<u>(119)</u>
Present value of minimum lease payments	<u><u>\$ 14,297</u></u>

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2007, is as follows:

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance September 30, 2007</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Note payable	\$ 1,570,439	\$ 376,900	\$ (190,005)	\$ 1,757,334	\$ 196,866
Compensated absences	519,303	251,060	(249,456)	520,907	249,456
Governmental activity Long-term liabilities	<u>\$ 2,089,742</u>	<u>\$ 627,960</u>	<u>\$ (439,461)</u>	<u>\$ 2,278,241</u>	<u>\$ 446,322</u>
<b>Business-type activities:</b>					
Notes payable	\$ 2,137,415	\$ 282,232	\$ (715,369)	\$ 1,704,278	\$ 651,657
Revenue bonds	4,920,000	-	(435,000)	4,485,000	445,000
Capital leases	54,802	-	(40,505)	14,297	14,297
Landfill Closure	790,521	-	(10,790)	779,731	-
Compensated absences	142,971	84,445	(68,492)	158,924	68,495
Business-type activity Long-term liabilities	<u>\$ 8,045,709</u>	<u>\$ 366,677</u>	<u>\$ (1,270,156)</u>	<u>\$ 7,142,230</u>	<u>\$ 1,179,449</u>

The following notes payable and revenue bonds payable were outstanding at September 30, 2007:

Governmental Activities Notes Payable:

\$221,000 with a fixed interest rate equal to 5.29%, dated February 13, 2001, with a final payment due February 13, 2008. Beginning March 13, 2001, payments are due in monthly installments of \$3,149, including interest, until maturity date, secured by a fire truck. \$ 15,981

\$1,910,000 with a varying interest rate between 3.25% and 5.25%, dated November 15, 2001, with final payment due October 20, 2016. Beginning April 20, 2002 interest payments are due semi-annually, and principal payments varying between \$95,000 and \$175,000 are due annually, until maturity date. Proceeds are used for street improvements and are secured by a pledge of non-ad valorem revenues, which are legally available for loan repayment. 1,410,000

\$376,900 with a fixed interest rate equal to 4.47%, dated January, 22, 2007, with a final payment due January 22, 2012. Beginning February 22, 2007, payments are due in monthly installments of \$7,021, including interest, until maturity date, secured by a fire truck. 331,353

Total Governmental Activities Notes Payable 1,757,334

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

Business-Type Activities Notes Payable

\$1,829,602 with a fixed interest rate equal to 4.19%, dated January 15, 2003, with a final payment due June 15, 2008. Beginning July 15, 2003 payments are due in monthly installments of \$34,368, including interest, until maturity date. Proceeds are used for the purchase of water meters and are secured by revenues of the water and sewer utility fund. 303,979

\$315,200 dated August 6, 2003, with a final payment due in 2011. beginning October 1, 2003 payments are due in monthly installments of \$3,750, until maturity date. Proceeds are used for improvements to a commercial building at the airport and are secured by revenues from the rental of the commercial building. 115,329

\$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. 214,112

\$1,300,000 with a fixed interest rate equal to 4% dated January 26, 2005, with final payment due January 26, 2010. Beginning January 26, 2006 payments are due in annual installments of \$292,015, including interest, until maturity date. Proceeds are used for acquisition of the Sebring Ridge Utilities system and are secured by future revenue of the water and sewer fund. 810,369

\$179,932 with a fixed interest rate equal to 4.47% dated January 22, 2007, with final payment due January 22, 2012. Beginning February 22, 2007 payments are due in monthly installments of \$3,352 including interest, until maturity date, secured by a revenues from the solid waste fund. 158,188

\$102,300 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. Interest is capitalized until repayment begins. Repayment of draws is semiannual for 20 years beginning March 15, 2010. 102,300

Total Business-Type Activities Notes Payable 1,704,278  
Total Notes Payable \$3,461,612

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 6 - LONG-TERM LIABILITIES (concluded)**

Business-Type Activities Revenue Bonds

\$5,750,000 in Water and Sewer Refunding Revenue Bonds, Series 2003 due in annual installments of \$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.

\$4,485,000

Total Business-Type Activities Revenue Bonds Payable

4,485,000

Total revenue Bonds Payable

\$4,485,000

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 196,866	\$ 82,671	\$ 1,096,657	\$ 192,156
2009	189,119	73,887	815,097	164,553
2010	202,501	64,506	822,532	141,921
2011	211,037	54,594	533,737	114,777
2012	162,811	45,008	523,988	97,335
2013 - 2017	795,000	108,100	2,234,657	205,030
2018 - 2022	-	-	111,779	20,075
2023 - 2027	-	-	38,603	3,060
2028 - 2029	-	-	12,228	318
	<u>\$ 1,757,334</u>	<u>\$ 428,766</u>	<u>\$ 6,189,278</u>	<u>\$ 939,225</u>

**Synopsis of Loan Covenants – Water and Sewer Refunding Revenue Bonds**

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.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 7 - 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.

State laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. In addition to operating expenses related to current activities of the landfill, a related liability is being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the landfill closure and post closure care liability is based on the capacity of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$779,731 as of September 30, 2007, which is based on an estimated 70 percent usage (filled) of the landfill. It is estimated that an additional liability of \$333,607 will be recognized for closure and postclosure care between the balance sheet date and the date the landfill is expected to be filled to capacity (2013). The estimated total current cost of the landfill closure and postclosure care (\$1,113,338) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2007. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City, pursuant to Florida Administrative Code, Rule 62-701.630(5), issued by the Florida Department of Environmental Protection, established a landfill management escrow account for the purpose of accumulating financial resources for the closure of the City's landfill. The funding of the escrow account for closure costs is by monthly contributions over the remaining estimated active life of the landfill. At September 30, 2007, the City has escrowed \$551,726 to cover the landfill closure requirements of the Florida Department of Environmental Protection. The contributions are revised each year for the cost of inflation and additional costs that might arise from changes in closure requirements due to changes in technology or more rigorous environmental regulations.

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS**

The City makes available to qualified retired employees the option to maintain coverage with the group health insurance plan. The City's regular health providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

In preparation for implementing the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, the City will be engaging an actuarial firm to determine the estimated obligation associated with Other Post-Employment Benefits (OPEB).

**NOTE 9 - 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.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 9 - RISK MANAGEMENT (concluded)**

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.

**NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at September 30, 2007 were as follows:

<b><u>Due To/From Other Funds</u></b>		
<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Infrastructure Fund	Nonmajor governmental fund	\$ 84,688
Nonmajor governmental fund	Infrastructure Fund	78,556
TOTAL		\$ 163,244

Amounts due to and from other funds arise from timing differences in the affected funds due timing of expenditures and related reimbursement.

<b><u>Advances To/From Other Funds</u></b>		
<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Water and Sewer Fund	\$ 558,655
Solid Waste Fund	Water and Sewer Fund	379,196
Infrastructure Fund	Airport Fund	620,042
Infrastructure Fund	Water and Sewer Fund	404,861
TOTAL		\$ 1,962,754

Advances to/from other funds are due to cash shortages at year-end. The borrowing funds are not expected to have funds available in the current period to repay the advances; however, management intends to implement plans in the coming year to begin repayment.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 11 - TRANSFERS**

Transfers during the year ended September 30, 2007, consisted of the following:

Transfers to the General Fund from:	
Water and Sewer Fund	\$ 150,000
Airport Fund	5,000
Nonmajor Governmental Funds	5,000
	\$ 160,000
Transfers to the Community Development Block Grant Fund from:	
Infrastructure Fund	\$ 78,556
Transfers to the Airport Fund from:	
Infrastructure Fund	\$ 72,601

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.

**NOTE 12 - FUND EQUITY**

Reservations of fund balances at September 30, 2007 are summarized below:

**Reserve For Law Enforcement** - The reserve 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.

**Reserve For Street Improvements** - The reserve for street improvements was created to restrict the initial deposit and earnings from the proceeds of the issuance of a loan payable. The reservation was established to satisfy legal restrictions imposed by the loan agreement.

**Reserve For Bouis Fountain** - The reserve 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.

**Reserve for Advances** – The reserve for Advances was created to restrict the use resources that are not available for appropriation and are not expendable available financial resources.

**NOTE 13 - GOVERNMENTAL ACTIVITIES NET ASSETS AND FUND BALANCE**

As discussed in Note 1, the City’s Community Redevelopment Agencies (CRAs) were reported as discretely presented component units in prior fiscal years. Effective for the year ending September 30, 2007, the City Council sits as the governing boards for the CRAs. Accordingly, these entities now meet the requirements set forth in GASB Statement No. 14 to be reported as blended component units.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 13 - GOVERNMENTAL FUNDS ACTIVITIES NET ASSETS AND FUND BALANCE  
(concluded)**

The entities are reported as governmental activities in the government-wide financial statements and as nonmajor funds in the governmental funds financial statements. This change in reporting resulted in a restatement of beginning net assets for the governmental activities as shown below:

Ending net assets, September 30, 2006, as previously reported	\$8,402,472
Net asset balances, September 30, 2006, as previously reported	
Main Street CRA	90,702
South Side CRA	62,374
Airport CRA	<u>51,085</u>
Beginning net assets, October 1, 2006, as restated	<u>\$8,606,633</u>

The change also resulted in a restatement of beginning fund balance of governmental funds as shown below:

Ending fund balance of governmental funds, September 30, 2006, as previously reported	\$3,867,445
Fund balances, September 30, 2006, as previously reported	
Main Street CRA	90,702
South Side CRA	62,374
Airport CRA	<u>51,085</u>
Beginning fund balance, October 1, 2006, as restated	<u>\$4,071,606</u>

**NOTE 14 - 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, as clarified and restated in City Ordinance 03-00, dated April 24, 2000, 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 a component unit (reporting as a Pension Trust Fund) of the City's financial reporting entity.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

**Police Officers' Retirement System (PORS) (continued)**

As of September 30, 2007, (per the most recent actuarial valuation dated October 1, 2006), employee membership data related to the pension plan was as follows:

Retirees and beneficiaries receiving benefits	8
Terminated plan members entitled to but not receiving benefits	0
Active plan members	23

**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, as clarified and restated in City Ordinance 02-00, dated March 27, 2000, 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 a component unit (reporting as a Pension Trust Fund) of the City's financial reporting entity.

As of September 30, 2007, (per the most recent actuarial valuation dated October 1, 2006) employee membership data related to the pension plan was as follows:

Retirees and beneficiaries receiving benefits	6
Terminated plan members entitled to but not receiving benefits	2
Active plan members	16

The statements of fiduciary net assets for the individual plans at September 30, 2007 are as follows:

	<u>Police Officers'</u> <u>Retirement System</u>	<u>Firefighters'</u> <u>Retirement System</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 322,187	\$ 257,387	\$ 579,574
Interest and dividend receivable	24,725	12,467	37,192
Contributions receivable	8,846	5,194	14,040
Due from other governmental agency	91,165	-	91,165
Investments at fair value			
U.S. Government securities	168,197	202,488	370,685
U.S. Government agencies	453,703	-	453,703
Corporate bonds	423,053	530,742	953,795
Mortgage backed securities	561,022	-	561,022
Corporate stocks	2,863,787	2,632,640	5,496,427
<b>Total Assets</b>	<u>4,916,685</u>	<u>3,640,918</u>	<u>8,557,603</u>
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>			
Held in trust for pension benefits	<u>\$ 4,916,685</u>	<u>\$ 3,640,918</u>	<u>\$ 8,557,603</u>

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

The statements of changes in fiduciary net assets for the individual plans for the year ended September 30, 2007 are as follows:

	<b>Police Officers' Retirement System</b>	<b>Firefighters' Retirement System</b>	<b>Total</b>
<b>Additions:</b>			
Contributions:			
Employer	\$ 289,406	\$ 155,678	\$ 445,084
Plan member	58,754	34,490	93,244
Total contributions	<u>348,160</u>	<u>190,168</u>	<u>538,328</u>
Investment Earnings:			
Net appreciation in fair value of investments	148,510	527,503	676,013
Interest and dividends	387,761	82,024	469,785
Total investment earnings	<u>536,271</u>	<u>609,527</u>	<u>1,145,798</u>
Less investment earnings	<u>(30,405)</u>	<u>(38,038)</u>	<u>(68,443)</u>
Net investment earnings	<u>505,866</u>	<u>571,489</u>	<u>1,077,355</u>
<b>Total Additions</b>	<u>854,026</u>	<u>761,657</u>	<u>1,615,683</u>
<b>Deductions:</b>			
Benefits	169,513	33,904	203,417
Administration expense	39,451	22,501	61,952
<b>Total Deductions</b>	<u>208,964</u>	<u>56,405</u>	<u>265,369</u>
<b>Change in Net Assets</b>	645,062	705,252	1,350,314
<b>Net Assets, October 1, 2006</b>	4,271,623	2,935,666	7,207,289
<b>Net Assets, September 30, 2007</b>	<u>\$ 4,916,685</u>	<u>\$ 3,640,918</u>	<u>\$ 8,557,603</u>

**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 2007 funding purposes, is limited by state statutes on the amount of the state contribution that can be credited toward the annual

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

**Funding Policy and Annual Pension Cost (continued)**

required contribution. The current limitation on state contributions for the PORS and FERS amounts to \$59,657 and \$37,674, respectively. Administrative costs for each plan are financed through investment earnings. Information related to contributions for the year ended September 30, 2007 is as follows:

	<b>Police Officers' Retirement System</b>	<b>Firefighters' Retirement System</b>
Contribution Rates:		
City and State	16.1%	14.0%
Plan members	3.5%	5.0%
Annual pension cost	\$159,319	\$83,010
Contributions made	\$176,952	\$92,402
Actuarial valuation date	10/1/2004	10/1/2004
Actuarial cost method	Aggregate	Entry age normal
Amortization method (1)	N/A	Level percentage of pay, closed
Remaining amortization period (1)	N/A	30 years
Asset valuation method	4 Year Smooth	4 Year Smoothed Market
Actuarial assumptions:		
Investment rate of return *	8.0%	8.0%
Projected salary increases *	7.5%	6.0%
* Includes inflation at	3.0%	3.0%
cost of living adjustments	0.0%	0.0%
Post Retirement cost of		
living adjustments	0.0%	0.0%

(1) The aggregate method does not identify and separately amortize unfunded actuarial liabilities.

**Three Year Trend Information**

	<b>Year Ended September 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
Police Officers'				
Retirement System	2006	\$ 156,319	113%	\$ (20,633)
	2005	\$ 159,532	100%	\$ -
	2004	\$ 140,530	100%	\$ -
Firefighters'				
Retirement System	2006	\$ 83,010	111%	\$ (31,537)
	2005	\$ 75,781	130%	\$ (22,391)
	2004	\$ 45,617	100%	\$ -

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (continued)**

**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 for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. Early retirement is available after six years of service with a 5 percent reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings. Employees are not required to contribute to the Pension Plan.

The Investment Plan provides for vesting after one year of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with one or more years of service. Retirement benefits are based on the employee's account balance. Employees are not required to contribute to the Investment Plan.

Participating employer contributions are based upon statewide rates established by the State of Florida. These rates which include the health insurance subsidy contribution of 1.11 percentage applied to employee salaries as follows: regular employees – 9.85 percent and DROP – 10.91 percent. The City's contributions made during the years ended September 30, 2007, 2006, and 2005, were \$74,484, \$69,297, and \$60,673, respectively, equal to the actuarially determined contribution requirements for each year. The City has determined, in accordance with GASB Statement No. 27, that there was no pension liability before or at transition.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (concluded)**

**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 Officers' 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 5 percent of the employee's salary each month.

The plan also provides for voluntary employee contributions not to exceed 4 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, 2007 for eligible employees participating in the plan was \$1,410,371. The City's total payroll for all employees was \$4,415,898.

As of September 30, 2007, the City's contributions to the plan were \$71,114 on behalf of the 55 employees participating. The total required and voluntary employee contributions to the plan amounted to \$36,959.

**NOTE 15 - DEFICITS**

The Airport Fund has an unrestricted net assets deficit of \$314,351 at September 30, 2007. This deficit is primarily due to investment by the City in the airport's capital assets, and operating expenses exceeding operating revenues. The rents charged and expenses incurred at the airport will be addressed in the next fiscal year.

The Water and Sewer Fund has an unrestricted net assets deficit of \$101,391 at September 30, 2007. This deficit is primarily due to investment by the City in the Water and Sewer Fund's capital assets. The rates charged and expenses incurred as well as capital projects will be addressed in the next fiscal year.

**NOTE 16 - 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, 2007 the city received rent revenue from operating leases of \$217,843.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 16 – LEASES (concluded)**

The following is a schedule by years of minimum future rent revenues from non-cancelable operating leases as of September 30, 2007:

<b>Year Ending September 30</b>	<b>Amount</b>
2008	\$ 83,040
2009	83,040
2010	83,040
2011	83,040
2012	83,040
2013 - 2015	106,080
Total future minimum rentals	\$ 521,280

At September 30, 2007, the value of buildings held for leasing was as follows:

<b>Buildings and hangars</b>	
Cost	\$ 2,034,261
Accumulated Depreciation	(573,714)
Net book value	\$ 1,460,547

**NOTE 17 – SUBSEQUENT EVENT**

*Local Government Surplus Funds Trust Fund*

The City had \$2,679,982 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool) as of September 30, 2007. On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 17 – SUBSEQUENT EVENT (concluded)**

*Local Government Surplus Funds Trust Fund (continued)*

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of April 9, 2008, the City had \$488,136 and \$237,266 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**CITY OF AVON PARK, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN**  
**(Unaudited)**

**Schedule of Contributions from Employer and Other**  
**Contributing Entities**

<u>Year Ended</u> <u>September 30</u>	<u>Annual</u> <u>Required</u> <u>Contributions</u>	<u>City</u> <u>Actual</u> <u>Contribution</u>	<u>State</u> <u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
<b>Police Officers' Retirement System:</b>				
2006	\$ 215,976	\$ 176,952	\$ 59,657	110%
2005	201,822	159,532	42,290	100%
2004	182,820	140,531	42,290	100%
2003	151,066	108,776	42,290	100%
2002	140,527	98,237	42,290	100%
2001	100,106	57,816	42,290	100%
<b>Firefighters' Retirement System:</b>				
2006	\$ 120,684	\$ 94,402	\$ 37,674	108%
2005	112,120	98,172	36,339	120%
2004	75,396	45,617	29,779	100%
2003	59,444	30,690	29,779	102%
2002	35,335	25,359	29,779	156%
2001	42,861	21,931	29,471	120%

**Schedule of Funding Progress**  
**Police Officers' Retirement System**

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets (a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL) -</u> <u>Entry Age (b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll (c)</u>	<u>UAAL as</u> <u>a % of</u> <u>Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
10/1/2006	\$ 4,416,529	\$ 4,416,529	\$ -	100%	\$ 920,328	0%
10/1/2005	3,916,363	3,916,363	-	100%	953,822	0%
10/1/2004	3,543,135	3,543,135	-	100%	994,853	0%
10/1/2003	3,307,546	3,307,546	-	100%	969,387	0%
10/1/2002	3,064,373	3,064,373	-	100%	939,029	0%
10/1/2001	2,979,655	2,979,655	-	100%	867,281	0%

The accompanying notes to the supplementary schedules are an integral part of these schedules.

**CITY OF AVON PARK, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN**  
**(Unaudited)**

**Schedule of Funding Progress**  
**Firefighters' Retirement System**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
10/1/2006	\$ 2,798,112	\$ 3,464,093	\$ 665,981	80.77%	\$ 660,315	100.86%
10/1/2005	2,559,504	3,138,324	578,820	81.56%	608,202	95.17%
10/1/2004	2,363,295	2,601,933	238,638	90.83%	617,694	38.63%
10/1/2003	2,281,673	2,281,673	-	100.00%	547,028	0.00%
10/1/2002	2,190,083	2,190,083	-	100.00%	485,591	0.00%
10/1/2001	2,140,158	2,140,158	-	100.00%	435,229	0.00%

The accompanying notes to the supplementary schedules are an integral part of these schedules.

**CITY OF AVON PARK, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	<b>PORS</b>	<b>FFRS</b>
Valuation Date	10/1/2004	10/1/2004
Actuarial cost method	Aggregate	Entry age normal
Amortization method	N/A	Level percentage of pay, closed
Remaining amortization period	N/A	30 years
Asset valuation method	4 Year Smooth	4 Year Smoothed Market
Actuarial assumptions:		
Investment rate of return (1)	8.0%	8.0%
Projected salary increases *	7.5%	6.0%
* Includes inflation at	3.0%	3.0%

(1) Net rate after investment expenses.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Taxes	\$ 3,277,726	\$ 3,277,726	\$ 3,358,483	\$ 80,757
Licenses and permits	21,000	21,000	51,213	30,213
Intergovernmental revenues	3,005,118	3,127,420	2,282,341	(845,079)
Charges for services	871,244	871,244	844,293	(26,951)
Fines and forfeitures	154,000	154,000	105,174	(48,826)
Interest income	25,000	25,000	63,410	38,410
Miscellaneous revenues	58,800	94,175	74,696	(19,479)
<b>Total Revenues</b>	<u>7,412,888</u>	<u>7,570,565</u>	<u>6,779,610</u>	<u>(790,955)</u>
<b>Expenditures</b>				
Current:				
General government:				
City council	28,244	28,244	24,844	3,400
City manager	291,022	290,897	278,235	12,662
Finance	162,735	162,735	145,564	17,171
Legal services	155,946	148,166	54,486	93,680
Other government services	303,855	313,060	291,104	21,956
<b>Total General government</b>	<u>941,802</u>	<u>943,102</u>	<u>794,233</u>	<u>148,869</u>
Public safety:				
Police	2,494,811	2,503,761	2,591,105	(87,344)
Fire	1,390,324	1,482,171	1,481,347	824
Building	1,950	1,700	(55)	1,755
Planning and zoning	72,739	72,739	58,904	13,835
<b>Total Public safety</b>	<u>3,959,824</u>	<u>4,060,371</u>	<u>4,131,301</u>	<u>(70,930)</u>
Physical environment:				
Streets	615,733	587,833	567,461	20,372
Culture and recreation				
Parks	436,744	481,991	396,481	85,510
Recreation	314,898	315,683	295,587	20,096
Community center	47,445	49,020	46,276	2,744
<b>Total Culture and recreation</b>	<u>799,087</u>	<u>846,694</u>	<u>738,344</u>	<u>108,350</u>

(continued)

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND (concluded)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
Economic Environment				
Home Investment Partnership Program	-	-	178,067	(178,067)
Community Redevelopment Agencies	82,000	140,320	140,238	82
Total Economic Environment	<u>82,000</u>	<u>140,320</u>	<u>318,305</u>	<u>(177,985)</u>
Capital outlay				
City council	-	1,350	1,350	-
Other governmental services	621,578	620,183	860,905	(240,722)
Police	69,800	88,485	86,641	1,844
Fire	382,979	392,002	386,701	5,301
Planning and zoning	-	1,350	1,350	-
Streets	510,000	510,000	198,537	311,463
Parks	450,000	472,900	29,447	443,453
Total Capital outlay	<u>2,034,357</u>	<u>2,086,270</u>	<u>1,564,931</u>	<u>521,339</u>
Total Expenditures	<u>8,432,803</u>	<u>8,664,590</u>	<u>8,114,575</u>	<u>550,015</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>(1,019,915)</u>	<u>(1,094,025)</u>	<u>(1,334,965)</u>	<u>(240,940)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	210,000	210,000	160,000	(50,000)
Debt proceeds	880,000	880,000	376,900	(503,100)
Total Other Financing Sources (Uses)	<u>1,090,000</u>	<u>1,090,000</u>	<u>536,900</u>	<u>(553,100)</u>
<b>Net Change in Fund Balances</b>	70,085	(4,025)	(798,065)	(794,040)
<b>Fund Balances, beginning of year</b>	-	6,285	2,374,759	2,368,474
<b>Fund Balances, end of year</b>	<u>\$ 70,085</u>	<u>\$ 2,260</u>	<u>\$ 1,576,694</u>	<u>\$ 1,574,434</u>

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**INFRASTRUCTURE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Taxes	\$ 954,848	\$ 954,848	\$ 914,793	\$ (40,055)
Interest income	13,000	13,000	53,452	40,452
<b>Total Revenues</b>	<u>967,848</u>	<u>967,848</u>	<u>968,245</u>	<u>397</u>
<b>Expenditures</b>				
Capital outlay				
Other government services	75,000	75,000	7,005	67,995
Fire	100,000	100,000	99,405	595
Streets	50,000	90,000	91,456	(1,456)
Airport	688,365	733,840	-	733,840
Parks and recreation	50,000	50,000	13,415	36,585
Total Capital Outlay	<u>963,365</u>	<u>1,048,840</u>	<u>211,281</u>	<u>837,559</u>
Debt service				
Principal retirement				
Fire	69,114	69,114	85,005	(15,891)
Streets	105,000	105,000	105,000	-
Total Principal retirement	<u>174,114</u>	<u>174,114</u>	<u>190,005</u>	<u>(15,891)</u>
Interest and other debt service				
Fire	16,300	16,300	8,959	7,341
Streets	77,500	77,500	75,811	1,689
Total Interest and other debt service	<u>93,800</u>	<u>93,800</u>	<u>84,770</u>	<u>9,030</u>
<b>Total Expenditures</b>	<u>1,231,279</u>	<u>1,316,754</u>	<u>486,056</u>	<u>830,698</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>(263,431)</u>	<u>(348,906)</u>	<u>482,189</u>	<u>831,095</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(151,157)	(151,157)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(151,157)</u>	<u>(151,157)</u>
<b>Net Change in Fund Balances</b>	(263,431)	(348,906)	331,032	679,938
<b>Fund Balances, beginning of year</b>	263,431	308,906	1,488,830	1,179,924
<b>Fund Balances, end of year</b>	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ 1,819,862</u>	<u>\$ 1,859,862</u>

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues from specific taxes or other earmarked revenue sources which, by law, are designated to finance particular functions or activities of a government. The purpose of each of the individual funds is as follows:

Community Development Block Grant Fund – This fund is used to account for a federal grant passed through the State of Florida and other local match monies used for sidewalks and flood and drainage improvements.

Community Redevelopment Agency – Main Street Fund – This fund is used to account for additional ad valorem taxes resulting from an increase in the assessed value above a designated base year of property within the Main Street Agency’s redevelopment area to be used for property improvements.

Community Redevelopment Agency – South Side Fund – This fund is used to account for additional ad valorem taxes resulting from an increase in the assessed value, above a designated base year, of property within the South Side Agency’s redevelopment area to be used for property improvements.

Community Redevelopment Agency – Airport Fund - This fund is used to account for additional ad valorem taxes resulting from an increase in the assessed value above a designated base year of property within the Airport Agency’s redevelopment area to be used for property improvements.

**CITY OF AVON PARK, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

	<u>Special Revenue Funds</u>				<u>Total All Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant</u>	<u>Community Redevelopment Agency - Main Street</u>	<u>Community Redevelopment Agency - South Side</u>	<u>Community Redevelopment Agency - Airport</u>	
<b>Assets</b>					
Cash and					
cash equivalents	\$ -	\$ 134,166	\$ 112,888	\$ 91,613	\$ 338,667
Due from other funds	78,556	-	-	-	78,556
Due from					
other governments	9,988	-	-	-	9,988
<b>Total Assets</b>	<u>\$ 88,544</u>	<u>\$ 134,166</u>	<u>\$ 112,888</u>	<u>\$ 91,613</u>	<u>\$ 427,211</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	40	\$ -	\$ -	40
Due to other funds	84,688	-	-	-	84,688
<b>Total Liabilities</b>	<u>84,688</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>84,728</u>
<b>Fund Balances</b>					
Unrestricted	3,856	134,126	112,888	91,613	342,483
<b>Total Fund Balances</b>	<u>3,856</u>	<u>134,126</u>	<u>112,888</u>	<u>91,613</u>	<u>342,483</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 88,544</u>	<u>\$ 134,166</u>	<u>\$ 112,888</u>	<u>\$ 91,613</u>	<u>\$ 427,211</u>

**CITY OF AVON PARK, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Special Revenue Funds</u>				<b>Total All Nonmajor Governmental Funds</b>
	<b>Community Development Block Grant</b>	<b>Community Redevelopment Agency - Main Street</b>	<b>Community Redevelopment Agency - South Side</b>	<b>Community Redevelopment Agency - Airport</b>	
<b>Revenues</b>					
Taxes	\$ -	\$ 171,045	\$ 78,469	\$ 48,257	\$ 297,771
Intergovernmental revenues	24,000	-	-	-	24,000
Interest income	-	3,255	2,338	1,684	7,277
Miscellaneous revenues	-	-	207	-	207
<b>Total Revenues</b>	<u>24,000</u>	<u>174,300</u>	<u>81,014</u>	<u>49,941</u>	<u>329,255</u>
<b>Expenditures</b>					
Current:					
Economic environment	-	45,876	20,500	9,413	75,789
Capital outlay	102,556	80,000	10,000	-	192,556
<b>Total Expenditures</b>	<u>102,556</u>	<u>125,876</u>	<u>30,500</u>	<u>9,413</u>	<u>268,345</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(78,556)</u>	<u>48,424</u>	<u>50,514</u>	<u>40,528</u>	<u>60,910</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	78,556	-	-	-	78,556
Transfers out	-	(5,000)	-	-	(5,000)
<b>Total Other Financing Sources</b>	<u>78,556</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>73,556</u>
<b>Net Change in Fund Balances</b>	-	43,424	50,514	40,528	134,466
<b>Fund Balances, beginning of year</b>	<u>3,856</u>	<u>90,702</u>	<u>62,374</u>	<u>51,085</u>	<u>208,017</u>
<b>Fund Balances, end of year</b>	<u>\$ 3,856</u>	<u>\$ 134,126</u>	<u>\$ 112,888</u>	<u>\$ 91,613</u>	<u>\$ 342,483</u>

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMMUNITY REDEVELOPMENT AGENCY - MAIN STREET  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 80,000	\$ 80,000	\$ 171,045	\$ 91,045
Interest income	2,000	2,000	3,255	1,255
<b>Total Revenues</b>	<u>82,000</u>	<u>82,000</u>	<u>174,300</u>	<u>92,300</u>
<b>Expenditures</b>				
Economic development	77,000	77,000	45,876	31,124
Capital outlay	-	85,000	80,000	5,000
<b>Total Expenditures</b>	<u>77,000</u>	<u>162,000</u>	<u>125,876</u>	<u>36,124</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	5,000	(80,000)	48,424	128,424
<b>Other Financing Sources (Uses)</b>				
Transfers out	(5,000)	(5,000)	(5,000)	-
<b>Total Other Financing Sources</b>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	(85,000)	43,424	128,424
<b>Fund Balances, beginning of year</b>	<u>-</u>	<u>85,000</u>	<u>90,702</u>	<u>5,702</u>
<b>Fund Balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,126</u>	<u>\$ 134,126</u>

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMMUNITY REDEVELOPMENT AGENCY - SOUTH SIDE  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 40,000	\$ 40,000	\$ 78,469	\$ 38,469
Interest income	1,000	1,000	2,338	1,338
Miscellaneous Revenue	-	-	207	207
<b>Total Revenues</b>	<u>41,000</u>	<u>41,000</u>	<u>81,014</u>	<u>40,014</u>
<b>Expenditures</b>				
Economic Environment	41,000	31,000	20,500	10,500
Capital outlay	-	10,000	10,000	-
<b>Total Expenditures</b>	<u>41,000</u>	<u>41,000</u>	<u>30,500</u>	<u>10,500</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	-	50,514	50,514
<b>Fund Balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>62,374</u>	<u>62,374</u>
<b>Fund Balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,888</u>	<u>\$ 112,888</u>

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMMUNITY REDEVELOPMENT AGENCY - AIRPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual	Variance with Final budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 46,000	\$ 46,000	\$ 48,257	\$ 2,257
Interest income	600	600	1,684	1,084
<b>Total Revenues</b>	<u>46,600</u>	<u>46,600</u>	<u>49,941</u>	<u>3,341</u>
<b>Expenditures</b>				
Economic Environment	<u>46,600</u>	<u>46,600</u>	<u>9,413</u>	<u>37,187</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	-	40,528	40,528
<b>Fund Balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>51,085</u>	<u>51,085</u>
<b>Fund Balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,613</u>	<u>\$ 91,613</u>

**CITY OF AVON PARK, FLORIDA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE**  
**SEPTEMBER 30, 2006 and 2007**

	<b>2006</b>	<b>2007</b>
<b>Governmental Funds Capital Assets</b>		
Land	\$ 295,614	\$ 316,634
Buildings	4,479,414	4,638,711
Equipment	4,286,692	4,625,732
Infrastructure	1,400,953	1,599,054
Construction in process	265,111	1,267,274
	<b>\$ 10,727,784</b>	<b>\$ 12,447,405</b>
 <b>Investment in Governmental Funds Capital Assets by Source</b>		
General Fund revenues	\$ 4,556,229	\$ 5,500,929
Special Revenue Fund revenues	4,642,719	4,818,036
Intergovernmental revenues	1,515,414	2,115,017
Private gifts or other sources	13,423	13,423
	<b>\$ 10,727,785</b>	<b>\$ 12,447,405</b>

**CITY OF AVON PARK, FLORIDA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2007**

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Infra- structure</b>	<b>Construction In Progress</b>	<b>Total</b>
<b>General Government:</b>						
Legislative	\$ -	\$ 57,835	\$ 51,348	\$ -	\$ -	\$ 109,183
Executive	-	7,005	30,232	-	-	37,237
Financial and administrative	-	-	8,067	-	-	8,067
Other general government	77,487	904,970	103,007	-	1,037,725	2,123,189
Total general government	<u>77,487</u>	<u>969,810</u>	<u>192,654</u>	<u>-</u>	<u>1,037,725</u>	<u>2,277,676</u>
<b>Public Safety:</b>						
Law enforcement	34,152	882,739	1,209,450	-	-	2,126,341
Fire control	7,000	475,539	1,577,233	-	-	2,059,772
Total public safety	<u>41,152</u>	<u>1,358,278</u>	<u>2,786,683</u>	<u>-</u>	<u>-</u>	<u>4,186,113</u>
<b>Physical Environment:</b>						
Roads and street facilities	-	-	551,089	1,599,054	179,221	2,329,364
Conservation and resource	8,484	15,790	-	-	30,328	54,602
Total physical environment	<u>8,484</u>	<u>15,790</u>	<u>551,089</u>	<u>1,599,054</u>	<u>209,549</u>	<u>2,383,966</u>
<b>Culture and Recreation:</b>						
Parks and recreation	189,511	2,294,833	1,095,306	-	20,000	3,599,650
Total culture and recreation	<u>189,511</u>	<u>2,294,833</u>	<u>1,095,306</u>	<u>-</u>	<u>20,000</u>	<u>3,599,650</u>
Total governmental funds capital assets	<u>\$ 316,634</u>	<u>\$ 4,638,711</u>	<u>\$ 4,625,732</u>	<u>\$ 1,599,054</u>	<u>\$ 1,267,274</u>	<u>\$ 12,447,405</u>

**CITY OF AVON PARK, FLORIDA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2007**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets October 1, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Governmental Funds Capital Assets September 30, 2007</b>
<b>General Government:</b>				
Legislative	\$ 91,206	\$ 20,841	\$ (2,865)	\$ 109,182
Executive	28,333	9,702	(798)	37,237
Financial and administrative	9,012	-	(945)	8,067
Other general government	1,254,200	868,990	-	2,123,190
Total general government	<u>1,382,751</u>	<u>899,533</u>	<u>(4,608)</u>	<u>2,277,676</u>
<b>Public Safety:</b>				
Law enforcement	2,040,222	136,639	(50,520)	2,126,341
Fire control	1,743,255	435,208	(118,691)	2,059,772
Total public safety	<u>3,783,477</u>	<u>571,847</u>	<u>(169,211)</u>	<u>4,186,113</u>
<b>Physical Environment:</b>				
Road and Street Facilities	1,978,734	388,049	(37,419)	2,329,364
Conservation and Resource	54,602	-	-	54,602
Total physical environment	<u>2,033,336</u>	<u>388,049</u>	<u>(37,419)</u>	<u>2,383,966</u>
<b>Culture and Recreation:</b>				
Parks and recreation	3,528,220	109,339	(37,909)	3,599,650
Total culture and recreation	<u>3,528,220</u>	<u>109,339</u>	<u>(37,909)</u>	<u>3,599,650</u>
Total governmental funds capital assets	<u>\$ 10,727,784</u>	<u>\$ 1,968,768</u>	<u>\$ (249,147)</u>	<u>\$ 12,447,405</u>

## STATISTICAL SECTION

This part of the City of Avon Park’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	86-93
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	94-98
Debt Capacity These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future  The table which concerns computation of legal debt margin is omitted because the Constitution of the State of Florida, Section 200.181, Florida Statutes, and the City of Avon Park set no legal debt limit.	99-101
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	102-103
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	104-106

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 1**  
**NET ASSETS BY COMPONENT**  
**Last Four Fiscal Years**  
**(Accrual Basis of Accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 3,952,507	\$ 3,348,231	\$ 4,525,250	\$ 6,882,006
Restricted	1,307,857	1,087,382	738,326	581,465
Unrestricted	1,493,764	3,180,448	3,138,896	2,025,269
<b>Total governmental activities net assets</b>	<u>\$ 6,754,128</u>	<u>\$ 7,616,061</u>	<u>\$ 8,402,472</u>	<u>\$ 9,488,740</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 7,923,675	\$ 9,147,908	\$ 10,827,944	\$ 13,887,130
Restricted	-	43,622	33,222	196,897
Unrestricted	1,703,160	1,194,139	226,135	(130,410)
<b>Total business-type activities net assets</b>	<u>\$ 9,626,835</u>	<u>\$ 10,385,669</u>	<u>\$ 11,087,301</u>	<u>\$ 13,953,617</u>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 11,876,182	\$ 12,496,139	\$ 15,353,194	\$ 20,769,136
Restricted	1,307,857	1,131,004	771,548	778,362
Unrestricted	3,196,924	4,374,587	3,365,031	1,894,859
<b>Total primary government net assets</b>	<u>\$ 16,380,963</u>	<u>\$ 18,001,730</u>	<u>\$ 19,489,773</u>	<u>\$ 23,442,357</u>

Note: GASB Statement No. 34 was implemented in fiscal year 2004. Information prior to that year is not available.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 2**  
**CHANGES IN NET ASSETS**  
**Last Four Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2004	2005	2006	2007
<b>Expenses</b>				
<b>Governmental activities:</b>				
General government	\$ 1,067,760	\$ 1,412,143	\$ 696,838	\$ 839,227
Public safety	3,593,563	3,699,731	4,113,474	4,425,156
Physical environment	479,592	536,904	617,352	655,262
Culture and recreation	658,053	732,136	899,661	880,605
Economic development	-	32,858	77,400	253,856
Interest on long-term debt	95,172	94,974	84,037	83,058
<b>Total governmental activities expenses</b>	<b>5,894,140</b>	<b>6,508,746</b>	<b>6,488,762</b>	<b>7,137,164</b>
<b>Business-type activities:</b>				
Water/Sewer	2,752,836	2,756,078	2,944,524	3,139,165
Airport	287,579	618,533	477,787	421,861
Solid Waste	1,058,188	1,257,198	1,183,211	1,240,404
<b>Total business-type activities expenses</b>	<b>4,098,603</b>	<b>4,631,809</b>	<b>4,605,522</b>	<b>4,801,430</b>
<b>Total primary government expenses</b>	<b>\$ 9,992,743</b>	<b>\$ 11,140,555</b>	<b>\$ 11,094,284</b>	<b>\$ 11,938,594</b>
<b>Program Revenues</b>				
<b>Governmental activities:</b>				
Charges for services:				
General government	\$ 16,371	\$ 11,660	\$ 82,977	\$ 8,325
Public safety	739,805	760,837	778,784	979,019
Physical environment	414,368	53,598	41,763	62,609
Culture and recreation	32,373	37,720	41,941	50,470
Economic environment	-	-	5,000	-
Operating grants and contributions	599,777	868,975	390,049	568,588
Capital grants and contributions	383,247	182,119	432,888	640,221
<b>Total governmental activities program revenues</b>	<b>2,185,941</b>	<b>1,914,909</b>	<b>1,773,402</b>	<b>2,309,232</b>
<b>Business-type activities:</b>				
Charges for services:				
Water/Sewer	2,675,627	2,831,844	3,273,880	3,672,544
Airport	183,507	194,709	285,978	222,695
Solid Waste	1,162,145	1,345,082	1,383,152	1,408,396
Operating grants and contributions	24,975	96,728	-	-
Capital grants and contributions	370,065	299,334	506,962	2,346,747
<b>Total business-type activities program revenues</b>	<b>4,416,319</b>	<b>4,767,697</b>	<b>5,449,972</b>	<b>7,650,382</b>
<b>Total primary government program revenues</b>	<b>\$ 6,602,260</b>	<b>\$ 6,682,606</b>	<b>\$ 7,223,374</b>	<b>\$ 9,959,614</b>

(continued)

**CITY OF AVON PARK, FLORIDA**  
**TABLE 2**  
**CHANGES IN NET ASSETS (concluded)**  
**Last Four Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2004	2005	2006	2007
<b>Net (expenses)/revenues:</b>				
Governmental activities:	\$ (3,708,199)	\$ (4,593,837)	\$ (4,715,360)	\$ (4,827,932)
Business-type activities:	317,716	135,888	844,450	2,848,952
<b>Total primary government net expenses</b>	<u>\$ (3,390,483)</u>	<u>\$ (4,457,949)</u>	<u>\$ (3,870,910)</u>	<u>\$ (1,978,980)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental activities:</b>				
Taxes:				
Property taxes	\$ 1,170,357	\$ 1,294,265	\$ 1,392,361	\$ 1,763,855
Sales taxes	802,563	872,168	984,435	914,793
Services taxes	314,991	338,835	351,368	355,120
Franchise taxes	393,308	439,844	512,342	532,044
Utility taxes	535,688	566,589	600,294	625,394
Fuel taxes	-	363,219	243,806	240,260
Unrestricted state shared revenues	814,231	908,289	1,090,911	1,034,922
Investment earnings	16,028	69,037	115,388	124,509
Gain (Loss) on sale of capital assets	4,044	-	474	7,499
Miscellaneous	12,292	5,329	6,822	29,244
Insurance proceeds	-	437,687	-	-
Transfers	107,506	160,508	203,570	82,399
<b>Total governmental activities</b>	<u>4,171,008</u>	<u>5,455,770</u>	<u>5,501,771</u>	<u>5,710,039</u>
<b>Business-type activities:</b>				
Insurance proceeds	-	758,683	-	-
Investment earnings	45,974	33,246	60,752	112,783
Gain (Loss) on sales of capital assets	-	(8,475)	-	(13,020)
Transfers	(107,506)	(160,508)	(203,570)	(82,399)
<b>Total business-type activities</b>	<u>(61,532)</u>	<u>622,946</u>	<u>(142,818)</u>	<u>17,364</u>
<b>Total primary government</b>	<u>\$ 4,109,476</u>	<u>\$ 6,078,716</u>	<u>\$ 5,358,953</u>	<u>\$ 5,727,403</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 462,809	\$ 861,933	\$ 786,411	\$ 882,107
Business-type activities	256,184	758,834	701,632	2,866,316
<b>Total primary government</b>	<u>\$ 718,993</u>	<u>\$ 1,620,767</u>	<u>\$ 1,488,043</u>	<u>\$ 3,748,423</u>

Note: GASB Statement No. 34 was implemented in fiscal year 2004. Information prior to that year is not available.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 3**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**Last Four Fiscal Years**  
**(Accrual Basis of Accounting)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Service Tax</b>	<b>Franchise Tax</b>	<b>Utility Tax</b>	<b>Fuel Tax</b>	<b>Unrestricted State Shared Revenue</b>	<b>Total</b>
2004	\$ 1,170,357	\$ 802,563	\$ 314,991	\$ 393,308	\$ 535,688	\$ -	\$ 814,231	\$ 4,031,138
2005	1,294,265	872,168	338,835	439,844	566,589	363,219	908,289	4,783,209
2006	1,392,361	984,435	351,368	512,342	600,294	243,806	1,090,911	5,175,517
2007	1,763,855	914,793	355,120	532,044	625,394	240,260	1,034,922	5,466,388

Note: GASB Statement No. 34 was implemented in fiscal year 2004. Information prior to that year is not available.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 4**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year			
	1998	1999	2000	2001
<b>General fund</b>				
Reserved	\$ 3,249	\$ 3,722	\$ 16,305	\$ 92,853
Unreserved	878,943	895,051	1,051,475	1,174,974
<b>Total general fund</b>	<u>\$ 882,192</u>	<u>\$ 898,773</u>	<u>\$ 1,067,780</u>	<u>\$ 1,267,827</u>
<b>All other governmental funds</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	1,682,144	1,823,395	1,849,768	1,784,278
<b>Total all other governmental funds</b>	<u>\$ 1,682,144</u>	<u>\$ 1,823,395</u>	<u>\$ 1,849,768</u>	<u>\$ 1,784,278</u>

\* The increase in reserved fund balance of the general fund in 2002 was due to loan proceeds restricted for street improvements.

<b>Fiscal Year</b>					
<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
\$ 2,317,005 *	\$ 1,849,342	\$ 1,344,040	\$ 1,130,111	\$ 783,880	\$ 1,185,340
1,249,015	1,247,639	1,224,309	1,574,061	1,590,879	391,354
<u>\$ 3,566,020</u>	<u>\$ 3,096,981</u>	<u>\$ 2,568,349</u>	<u>\$ 2,704,172</u>	<u>\$ 2,374,759</u>	<u>\$ 1,576,694</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,024,903
1,115,347	650,481	725,641	1,112,010	1,492,686	1,137,442
<u>\$ 1,115,347</u>	<u>\$ 650,481</u>	<u>\$ 725,641</u>	<u>\$ 1,112,010</u>	<u>\$ 1,492,686</u>	<u>\$ 2,162,345</u>

**CITY OF AVON PARK, FLORIDA**  
**TABLE 5**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	<b>Fiscal Year</b>			
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Revenues</b>				
Taxes	\$ 2,418,778	\$ 2,387,720	\$ 3,080,822	\$ 3,496,097
Licenses and permits	54,516	71,406	62,914	53,732
Intergovernmental	1,410,026	1,653,308	984,353	1,049,858
Charges for services	34,974	17,708	32,021	25,039
Fines and forfeitures	75,771	83,364	128,690	126,353
Investment earnings	-	-	179,976	163,813
Miscellaneous	150,524	210,597	75,074	98,526
<b>Total Revenues</b>	<b>4,144,589</b>	<b>4,424,103</b>	<b>4,543,850</b>	<b>5,013,418</b>
<b>Expenditures</b>				
General government	537,332	526,701	563,305	600,930
Public safety	2,240,666	2,379,214	2,502,206	2,742,127
Physical environment	322,583	342,476	254,189	325,858
Economic environment	-	4,402	21,747	-
Culture and recreation	414,055	465,470	414,054	383,736
Capital outlay	313,833	678,773	812,591	1,075,896
Debt service				
Principal	3,475	-	-	19,903
Interest	-	-	-	-
<b>Total Expenditures</b>	<b>3,831,944</b>	<b>4,397,036</b>	<b>4,568,092</b>	<b>5,148,450</b>
<b>Excess of revenues over (under) expenditures</b>	<b>312,645</b>	<b>27,067</b>	<b>(24,242)</b>	<b>(135,032)</b>
<b>Other financing sources (uses)</b>				
Transfers in	102,440	107,500	226,882	219,622
Transfers out	-	-	(7,260)	(139,290)
Insurance proceeds	-	-	-	-
Issuance of debt	-	-	-	221,000
<b>Total other financing sources (uses)</b>	<b>102,440</b>	<b>107,500</b>	<b>219,622</b>	<b>301,332</b>
<b>Net change in fund balances</b>	<b>\$ 415,085</b>	<b>\$ 134,567</b>	<b>\$ 195,380</b>	<b>\$ 166,300</b>
<b>Debt service as a percentage of noncapital expenditures</b>	0.10%	0.00%	0.00%	0.49%

<b>Fiscal Year</b>						
<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
\$ 3,254,993	\$ 3,299,667	\$ 3,457,681	\$ 3,758,858	\$ 4,084,606	\$ 4,571,047	
58,660	66,355	59,865	91,069	38,747	51,213	
1,192,898	1,334,331	1,960,225	2,129,723	1,958,848	2,306,341	
378,522	379,158	541,209	562,775	645,419	844,293	
141,944	155,682	146,474	120,461	112,871	105,174	
122,396	52,803	15,834	68,674	114,904	124,139	
110,298	109,951	68,155	40,934	44,079	74,903	
<u>5,259,711</u>	<u>5,397,947</u>	<u>6,249,443</u>	<u>6,772,494</u>	<u>6,999,474</u>	<u>8,077,110</u>	
533,459	499,953	1,005,279	1,349,765	637,430	794,233	
2,780,003	3,073,836	3,377,825	3,424,835	3,826,250	4,131,301	
355,575	339,063	448,819	480,267	527,964	567,461	
-	-	-	32,858	774,191	738,344	
452,427	494,477	558,166	626,207	77,400	394,094	
1,263,769	1,644,272	1,181,435	705,812	1155780	1,968,768	
115,411	224,456	125,372	593,268	138,821	190,005	
-	-	96,524	96,706	86,074	84,770	
<u>5,500,644</u>	<u>6,276,057</u>	<u>6,793,420</u>	<u>7,309,718</u>	<u>7,223,910</u>	<u>8,868,976</u>	
<u>(240,933)</u>	<u>(878,110)</u>	<u>(543,977)</u>	<u>(537,224)</u>	<u>(224,436)</u>	<u>(791,866)</u>	
248,320	273,000	298,000	265,000	326,144	238,556	
(419,958)	(328,795)	(207,495)	(104,492)	(122,574)	(156,157)	
-	-	-	437,687	72,129	376,900	
2,041,833	-	-	461,221	-	-	
<u>1,870,195</u>	<u>(55,795)</u>	<u>90,505</u>	<u>1,059,416</u>	<u>275,699</u>	<u>459,299</u>	
<u>\$ 1,629,262</u>	<u>\$ (933,905)</u>	<u>\$ (453,472)</u>	<u>\$ 522,192</u>	<u>\$ 51,263</u>	<u>\$ (332,567)</u>	
2.72%	4.85%	3.95%	10.45%	3.15%	3.98%	

**CITY OF AVON PARK, FLORIDA**  
**TABLE 6**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as Percentage of Actual Value</b>
1998	\$ 186,526,695	\$ 37,133,400	\$ 81,625,375	\$ 142,034,720	8.50	\$ 279,575,119	51%
1999	\$ 189,405,867	\$ 39,594,930	\$ 83,009,487	\$ 145,991,310	8.75	\$ 286,250,996	51%
2000	\$ 200,249,363	\$ 39,816,030	\$ 91,460,733	\$ 148,604,660	9.00	\$ 300,081,741	50%
2001	\$ 202,754,087	\$ 40,078,850	\$ 91,364,437	\$ 151,468,500	8.25	\$ 303,541,171	50%
2002	\$ 210,657,942	\$ 40,152,220	\$ 95,157,916	\$ 155,652,246	7.75	\$ 313,512,703	50%
2003	\$ 221,312,436	\$ 37,715,940	\$ 102,038,486	\$ 156,989,890	7.75	\$ 323,785,470	48%
2004	\$ 244,261,214	\$ 38,569,160	\$ 114,676,590	\$ 168,153,784	7.75	\$ 353,537,968	48%
2005	\$ 276,913,839	\$ 37,009,640	\$ 131,080,240	\$ 182,843,239	7.75	\$ 392,404,349	47%
2006	\$ 344,367,099	\$ 37,738,400	\$ 161,529,697	\$ 220,575,802	7.50	\$ 477,631,874	46%
2007	\$ 421,242,113	\$ 39,021,780	\$ 192,399,656	\$ 267,864,237	7.50	\$ 575,329,866	47%

Source: Highlands County Property Appraiser's office.

Notes: Breakdown of the assessed value between residential and commercial property was not available.

Property in the county is reassessed annually. The County assesses property at approximately 80 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are \$1,000 of assessed value.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 7**  
**PROPERTY TAX RATES**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>City of Avon Park</b>			<b>Overlapping Rates</b>		
	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Total City Millage</b>	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Total County Millage</b>
1998	8.5000	-	8.5000	8.5000	-	8.5000
1999	8.7500	-	8.7500	8.5000	-	8.5000
2000	9.0000	-	9.0000	8.5000	-	8.5000
2001	8.2500	-	8.2500	8.5000	-	8.5000
2002	7.7500	-	7.7500	8.5000	-	8.5000
2003	7.7500	-	7.7500	9.0000	-	9.0000
2004	7.7500	-	7.7500	9.0000	-	9.0000
2005	7.7500	-	7.7500	9.0000	-	9.0000
2006	7.5000	-	7.5000	8.5000	-	8.5000
2007	7.5000	-	7.5000	8.5000	-	8.5000

Source: Highlands County Property Appraiser's office.

Overlapping rates are those of local and county governments that apply to property owners within the City of Avon Park. Not all overlapping rates apply to all Avon Park property owners (e.g. the rates for special districts apply only to the portion of the government's property owners whose property is located within the geographic boundaries of the special district).

**Overlapping Rates**

<b>School District</b>			<b>South FL Water District</b>	<b>Southwest FL Water District</b>	<b>Total Direct &amp; Overlapping Rates</b>
<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Total School Millage</b>			
9.2290	-	9.2290	0.6970	0.6170	27.5430
9.2480	-	9.2480	0.6970	0.6170	27.8120
8.9550	-	8.9550	0.6970	0.6170	27.7690
8.7280	-	8.7280	0.6970	0.6170	26.7920
8.6940	-	8.6940	0.6970	0.6170	26.2580
8.7660	-	8.7660	0.6970	0.6170	26.8300
8.4750	-	8.4750	0.6970	0.6170	26.5390
7.8850	-	7.8850	0.6970	0.6170	25.9490
7.9090	-	7.9090	0.5970	0.6170	25.1230
7.6640	-	7.6640	0.6240	0.5693	24.8573

**CITY OF AVON PARK, FLORIDA**  
**TABLE 8**  
**PRINCIPAL TAXPAYERS**  
**CURRENT FISCAL YEAR AND THREE YEARS PRIOR**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Taxpayer	2007			2004		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Fairhaven South Inc.	\$ 6,784,203	1	3.08%	\$ 5,437,283	1	1.96%
Lake Damon Development LC	5,902,500	2	2.68%	-	-	0.00%
Avon Square LTD	4,808,599	3	2.18%	4,428,548	2	1.60%
Highlands Plaza Center, LLC	3,697,409	4	1.68%	-	-	0.00%
Jarrett Properties LTD	2,383,522	5	1.08%	-	-	0.00%
Wal-Mart Stores East LP	2,376,900	6	1.08%	-	-	0.00%
Ben Hill Griffin, Inc	2,166,869	7	0.98%	-	-	0.00%
Brookline Central FL, Co ET	2,128,255	8	0.96%	1,929,028	4	0.70%
Wayne C. Rickertt, ET AL	2,106,730	9	0.96%	1,792,021	5	0.65%
Florida Power Corporation	2,082,041	10	0.94%	1,214,010	8	0.44%
Prime Park Partners	-	-	0.00%	3,301,990	3	1.19%
Joan R. Jarrett	-	-	0.00%	1,494,499	6	0.54%
Las Palmas Resort	-	-	0.00%	1,252,551	7	0.45%
Avon Park Retail 1 LLC	-	-	0.00%	1,159,012	9	0.42%
Walgreen Co	-	-	0.00%	1,148,091	10	0.41%
Totals	<u>\$ 34,437,028</u>		<u>15.62%</u>	<u>\$ 23,157,033</u>		<u>8.36%</u>

Source: Highlands County Property Appraiser. These values include real property only.

Note: Information for nine years ago is not available.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 9**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended September 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
1998	\$1,250,931	\$1,194,176	95.46%	\$ 5,751	\$1,199,927	95.92%
1999	1,287,717	1,210,095	93.97%	5,685	1,215,780	94.41%
2000	1,352,356	1,257,492	92.99%	8,997	1,266,489	93.65%
2001	1,253,380	1,187,447	94.74%	27,269	1,214,716	96.92%
2002	1,269,905	1,132,620	89.19%	8,051	1,140,671	89.82%
2003	1,239,289	1,117,959	90.21%	5,449	1,123,408	90.65%
2004	1,271,980	1,096,420	86.20%	9,878	1,106,298	86.97%
2005	1,393,685	1,200,798	86.16%	31,713	1,232,511	88.44%
2006	1,669,351	1,324,043	79.31%	5,658	1,329,701	79.65%
2007	1,615,500	1,521,495	94.18%	4,007	1,525,502	94.43%

Source: City of Avon Park General Ledger.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 10**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>			<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>Notes Payable</b>	<b>Water/Sewer Bonds</b>	<b>Notes Payable</b>	<b>Capital Leases</b>			
1998	-	6,475,000	-	-	6,475,000	3.55%	802
1999	-	6,186,633	-	-	6,186,633	3.39%	766
2000	-	6,036,517	-	-	6,036,517	2.58%	677
2001	207,795	5,747,915	-	-	5,955,710	2.54%	668
2002	2,090,485	5,634,800	-	-	7,725,285	3.30%	866
2003	1,966,678	5,145,715	1,745,370	88,364	8,946,127	3.82%	1,003
2004	1,841,307	5,750,000	1,957,064	127,436	9,675,807	4.13%	1,085
2005	1,709,260	5,350,000	2,856,213	91,044	10,006,517	4.27%	1,122
2006	1,570,439	4,920,000	2,137,415	54,802	8,682,656	3.70%	974
2007	1,757,334	4,485,000	1,704,278	14,297	7,960,909	2.9%	879

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographic and Economic Statistics for personal income and population data.

**HIGHLANDS COUNTY, FLORIDA**  
**TABLE 11**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of September 30, 2007**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: School Board	\$75,960,000	11%	<u>\$ 8,355,600</u>
Total overlapping debt			<u><u>\$ 8,355,600</u></u>

Source: Assessed value data used to estimate applicable percentages provided by the Highlands County Property Appraiser. Debt outstanding data provided by the Highlands County School Board.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Avon Park. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

\* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the city's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 12**  
**PLEDGED-REVENUE COVERAGE**  
**Last Ten Years**

Fiscal Year	Water and Sewer Revenue Bonds					Coverage
	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
1998	2,208,081	1,112,595	1,095,486	170,000	354,667	208.80%
1999	2,240,955	1,114,344	1,126,611	176,000	347,214	215.33%
2000	2,294,111	1,133,649	1,160,462	278,600	317,110	194.80%
2001	2,241,640	1,367,113	874,527	288,600	309,931	146.11%
2002	2,057,037	1,454,948	602,089	293,600	289,800	103.20%
2003	2,160,293	1,569,444	590,849	308,600	275,171	101.21%
2004	2,917,358	1,744,688	1,172,670	313,600	259,800	204.51%
2005	2,850,837	1,856,407	994,430	323,600	243,768	175.27%
2006	3,126,583	2,700,423	426,160	328,600	227,167	76.68%
2007	3,444,393	2,902,653	541,740	434,167	148,139	93.03%

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Water and sewer charges include investment earnings. Operating expenses do not include depreciation.

This schedule includes only payments for the Revenue Bonds.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 13**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal income</b>	<b>Median Age</b>	<b>Education Level in Years of Formal Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
1998	8078	182,514	22,594	N/A	N/A	N/A	N/A
1999	8078	182,514	22,594	N/A	N/A	N/A	N/A
2000	8917	234,098	26,253	35.8	N/A	2138	N/A
2001	8917	234,098	26,253	35.8	N/A	2138	N/A
2002	8917	234,098	26,253	35.8	N/A	2138	N/A
2003	8917	234,098	26,253	35.8	N/A	2138	5.70%
2004	8917	234,098	26,253	35.8	N/A	2138	5.70%
2005	8917	234,098	26,253	35.8	N/A	2138	4.00%
2006	8917	234,098	26,253	35.8	N/A	2138	4.00%
2007	9056	274,478	30,309	50.6	N/A	2138	4.00%

Note: Census is taken every ten years. Amount are reflective of the 1990 and 2000 census.

Unemployment rate is the County unemployment rate.

Information provided by the Avon Park Chamber of Commerce

**CITY OF AVON PARK, FLORIDA**  
**TABLE 14**  
**PRINCIPAL EMPLOYERS**  
**Current Year and Prior Year**

<b>Employer</b>	<b>2007</b>			<b>2006</b>		
	<b>Employees</b>	<b>Rank</b>	<b>% of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>% of Total City Employment</b>
South Florida Community College	440	1	12.74%	439	1	12.80%
Highlands County School Board						
Avon Park High School	122	2	3.53%	117	3	3.41%
City of Avon Park	115	3	3.33%	119	2	3.47%
Highlands County School Board						
Avon Park Elementary School	96	4	2.78%	91	4	2.65%
Publix	90	5	2.60%	90	5	2.62%
Winn Dixie	90	6	2.60%	90	6	2.62%
Highlands County School Board						
Avon Park Middle School	84	7	2.43%	88	7	2.56%
Bill Jarrett Ford	78	8	2.26%	78	8	2.27%
Elberta Crate	80	9	2.32%	69	9	2.01%
Central Florida Health Care	60	10	1.74%	60	10	1.75%
<b>Total</b>	<b>1,255</b>		<b>36.33%</b>	<b>1,241</b>		<b>36.16%</b>

Sources: Avon Park Chamber of Commerce and the U.S. Census Bureau 2000 Census

Note: Information for nine years ago is not available.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 15**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Six Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Government</b>	6	6	7	7	9	10
<b>Public Safety</b>						
Police	28	28	28	29	30	28
Civilians	11	11	11	11	11	11
<b>Fire</b>						
Firefighters and officers	16	17	17	17	17	17
Civilians	1	2	2	2	2	5
<b>Highways and streets</b>						
Maintenance	3	2	7	7	7.5	7.5
<b>Solid Waste</b>	10	10	10	9	9.5	9.5
<b>Culture and Recreation</b>	13	13	15	15	15	17
<b>Water</b>	14	14	16	15	17	17
<b>Sewer</b>	3	3	4	4	4	4
<b>Total</b>	<u>105</u>	<u>106</u>	<u>117</u>	<u>116</u>	<u>122</u>	<u>126</u>

Source: City of Avon Park Payroll Department.

Note: Ten years of information is not available.

**TABLE 16**  
**OPERATING INDICATORS BY FUNCTION**  
**Last Six Years**

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Police</b>						
Physical arrest	1,139	1,222	1,129	946	1,021	916
Parking violations	8	20	23	31	23	20
Traffic violations	3,424	3,422	2,611	1,862	2,246	2,074
<b>Fire</b>						
Number of calls answered	1,044	1,035	1,093	1,075	1,119	1,101
Inspections	26	206	91	109	282	415
<b>Highways and streets</b>						
Street resurfacing (miles)	2.6	7.9	10.5	0.0	0.1	0.0
Potholes repaired	15	12,333	13,700	35,400	17,327	346
Sidewalk (miles)	27.37	27.37	27.37	27.37	27.37	27.77
<b>Sanitation</b>						
Refuse collected (tons/day)	29.80	23.96	48.64	45.74	40.01	42.00
Recyclables collected (tons/day)	0	0	0	0	0	0
<b>Community Center</b>						
Admissions	8,830	11,300	12,700	10,775	11,750	11,655
<b>Water</b>						
New connections	64	55	68	841	253	251
Water mains breaks	7	4	6	3	5	9
Average daily consumption	2,323,529	1,949,940	1,748,353	1,914,000	1,731,033	2,070,000
<b>Wastewater</b>						
Average daily sewage treatment (thousands of gallons)	702	704	679	606	581	565

Source: Various government departments.

Note: Ten years of information is not available.

**CITY OF AVON PARK, FLORIDA**  
**TABLE 17**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last Six Years**

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Public Safety</b>						
Police:						
Stations	1	1	1	1	1	1
Patrol Units	24	24	24	24	24	33
Fire Stations	1	1	1	1	1	1
<b>Sanitation</b>						
Collection trucks	5	6	6	6	6	7
<b>Highways and streets</b>						
Streets (miles)	74.75	74.75	74.75	74.75	75.25	75.25
Streetlights	125	125	125	125	125	125
Traffic signals	5	5	5	5	5	5
<b>Culture and recreation</b>						
Parks acreage	30	30	30	30	30	30
Parks acreage	9	9	9	9	10	10
Tennis courts	4	4	4	4	4	4
Community center	1	1	1	1	1	1
<b>Water</b>						
Water mains (miles)	45	45	45	50	50	87
Fire hydrants	313	313	313	313	313	450
Maximum daily capacity (thousands of gallons)	7,000,000	7,000,000	7,000,000	7,720,000	7,720,000	7,720,000
<b>Sewer</b>						
Sanitary sewers (miles)	31	31	31	31	35	35
Storm sewers (miles)	9.43	9.43	9.43	9.43	9.43	9.48
Maximum daily treatment capacity	1,500	1,500	1,500	1,500	1,500	1,500

Source: Various City departments.

Note: Ten years of information is not available.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF LANDFILL MANAGEMENT ESCROW ACCOUNT ACTIVITY**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

Balance - October 1, 2006	\$ 522,616
Interest Earnings	<u>29,110</u>
Balance - September 30, 2007	<u><u>\$ 551,726</u></u>



**INDEPENDENT AUDITOR'S  
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***

The Honorable Mayor  
Members of the City Council  
City of Avon Park, Florida  
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, 2007, and have issued our report thereon dated April 9, 2008. 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.

**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 opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that finding 2007-01 described in the accompanying Schedule of Findings and Questioned Costs is a material weakness.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding 2007-02.

We noted certain matters that we reported to management of the City in a separate letter dated April 9, 2008.

This report is intended solely for the information and use of the audit committee, management, members of the City Council, State of Florida Office of the Auditor General, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*The NCT Group CPA's, L.L.P.*

THE NCT GROUP CPA's, L.L.P.  
Sebring, Florida  
April 9, 2008



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM  
AND STATE PROJECT AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

**Compliance**

We have audited the compliance of the City of Avon Park, Florida (the City) with the types of compliance requirements described the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in items 2007-03, 2007-04, 2007-05, and 2007-06, in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Davis-Bacon Act, procurement, subrecipient monitoring and reporting that are applicable to its Airport Improvement Program and Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2007-03, 2007-04, and 2007-05 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by any entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2007-06 to be a material weakness.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, members of the City Council, State of Florida Office of the Auditor General, 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.

*The NCT Group CPAs, L.L.P.*

THE NCT GROUP CPA's, L.L.P.

Sebring, Florida

April 9, 2008

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

<b>Federal/State Agency Program Title</b>	<b>CFDA CSFA Number</b>	<b>Grant or Contract Number</b>	<b>Total Award</b>	<b>Expenditures</b>
<b><u>Federal Awards</u></b>				
<b>U.S. Department of Agriculture:</b>				
Pass-through from Florida Department of Agriculture:				
Urban and Community Forestry Grant	10.664	FDA10373	\$ 29,794	\$ 15,232
Urban and Community Forestry Grant	10.664	FDA10372	42,660	<u>33,088</u>
Total U.S. Department of Agriculture				<u>48,320</u>
<b>U.S. Department of Homeland Security:</b>				
Pass-through from Florida Department of Community Affairs:				
Hazard Mitigation Grant - Airport Drainage	97.039	07HM-6@-07-38-02-0	169,581	<u>80,721</u>
Total U.S. Department of Homeland Security				<u>80,721</u>
<b>U.S. Department of Housing and Urban Development:</b>				
Pass-through from Florida Department of Community Affairs:				
Community Development Block Grant	14.228	06DB-3K-07-38-02-C	750,000	24,000
Pass-through from Florida Housing Finance Corporation:				
Home Investment Partnership Program - HOMI	14.239	HA04-723	300,000	<u>178,067</u>
Total U.S. Department of Housing and Urban Development				<u>202,067</u>
<b>U.S. Department of Justice:</b>				
Pass-through from Florida Department of Law Enforcement:				
E. Byrne Memorial Justice Assistance Program	16.738	2007-JAGD-HIGH-2-P4	2,695	2,695
E. Byrne Memorial Justice Assistance Program	16.738	2007-JAGC-HIGH-4-P3	5,391	<u>5,391</u>
Total U.S. Department of Justice				<u>8,086</u>

(continued)

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE (continued)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

<b>Federal/State Agency Program Title</b>	<b>CFDA CSFA Number</b>	<b>Grant or Contract Number</b>	<b>Total Award</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation:</b>				
<b>Federal Aviation Administration</b>				
Pass through from Florida Department of Transportation:				
Airport Improvement Program- Runway 9/27 construction	20.106	03-12-0004-013-2006	1,535,294	1,509,794
Airport Improvement Program	20.106	12-004-E1-2005	67,200	67,200
Total Federal Aviation Administration				<u>1,576,994</u>
<b>Federal Highway Administration</b>				
Pass through from Florida Department of Transportation:				
Highway Planning and Construction	20.205	194495-1	98,826	85,495
Highway Planning and Construction	20.205	194516-1	300,000	191,669
Total Federal Highway Administration				<u>277,164</u>
<b>Environmental Protection Agency:</b>				
Pass through from Florida Department of Environmental Protection:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW71703P	802,837	102,300
<b>Total Expenditures of Federal Awards</b>				<b><u><u>\$ 2,295,652</u></u></b>

**State Financial Assistance**

**Florida Department of Environmental Protection:**

Florida Recreational Development Assistance Program	37.017	F6107	200,000	2,841
Florida Recreational Development Assistance Program	37.017	F6109	200,000	1,000
Total Florida Department of Environmental Protection				<u>3,841</u>

(continued)

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (concluded)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

<b>Federal/State Agency Program Title</b>	<b>CFDA CSFA Number</b>	<b>Grant or Contract Number</b>	<b>Total Award</b>	<b>Expenditures</b>
<b>Florida Department of Transportation:</b>				
Public Transportation - General Aviation				
Terminal Building	55.004	AK618	368,000	234,738
Public Transportation - Tie Down Apron	55.004	AK839	256,000	256,000
Public Transportation - Rehab Runway 9/27	55.004	AOK90	42,600	<u>42,600</u>
Total Florida Department of Transportation				<u>533,338</u>
<b>Total Expenditures of State Financial Assistance</b>				<b><u>\$ 537,179</u></b>

**CITY OF AVON PARK, FLORIDA**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**SEPTEMBER 30, 2007**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Avon Park, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - CONTINGENCIES**

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the City. As of April 9, 2008, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**NOTE C – SUBRECIPIENTS**

Home Investment Partnership Program funding as identified in the accompanying schedule of expenditures of federal awards and state financial assistance was passed through to Highlands County, Florida.

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-  
FEDERAL PROGRAMS AND STATE PROJECTS  
For the Fiscal Year Ended September 30, 2007**

**PART I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement Section:**

Type of auditor's report issued:	Unqualified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	Yes

**Federal Awards and State Assistance Section:**

Dollar threshold used to determine Type A program	\$300,000
Auditee qualified as low-risk auditee?	No
Type of auditor's report on compliance for major projects:	Qualified Opinion
Internal control over compliance:	
Material weakness(es) identified?	Yes
Were significant deficiencies identified not considered to be material weakness(es)?	Yes
Any audit findings which are required to be reported Section 510(a) of Circular A-133 or Chapter 10.650, Rules of the Auditor General	Yes

**Identification of major federal programs:**

	<b><u>CFDA #</u></b>
Airport Improvement Program – Runway 9/27 construction	20.106

**Identification of major state projects:**

	<b><u>CSFA#</u></b>
Public Transportation – Aviation Development Grants	55.004

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL PROGRAMS AND STATE PROJECTS (continued)**  
**For the Fiscal Year Ended September 30, 2007**

**PART II – FINANCIAL STATEMENT FINDINGS**

**2007-01 – Financial Statement Adjustments**

**Criteria:**

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).

**Condition:**

A material weakness in internal control over financial reporting existed as of September 30, 2007 because material adjusting journal entries needed to be posted to the trial balances originally presented for audit in order for the financial statements to be presented fairly in accordance with GAAP. This weakness results in material understatements and overstatements in various account balances and funds of the City for the year ended September 30, 2007.

**Context:**

Substantive testing of account balances, analytical procedures and review of the City's trial balances noted the differences and adjustments necessary.

**Effect:**

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.

**Cause:**

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.

**Recommendation:**

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 each year. Unusual account balances should be identified by the Finance Director and analyzed for proper recording.

**Management Response:**

Management concurs with this finding. Year-end adjustments for program payables and funds received for the police retirement system were not included in the original trial balance given to the auditors. These documents were received after year-end and adjustments were made at a later date. The Finance Department will add additional time for staff to review all receipts and payables for the year-end.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL PROGRAMS AND STATE PROJECTS (continued)**  
**For the Fiscal Year Ended September 30, 2007**

**PART II – FINANCIAL STATEMENT FINDINGS (continued)**

**2007-02 – Use of Local Government Infrastructure Surtax Proceeds**

**Criteria:** The Infrastructure Fund accounts for the Local Government Infrastructure Surtax proceeds that are governed by Florida Statute 212.055(2). That statute restricts the use of the proceeds and any interest accrued to financing, planning and constructing infrastructure, acquiring land for public recreation or conservation, or protection of natural resources. The statute prohibits the use of the funds for operational expenses.

**Condition:**

As of September 30, 2007, the City’s Airport and Water and Sewer Funds had negative cash balances of \$580,177 and \$1,257,432, respectively. This deficit cash position has resulted in those funds borrowing a combined \$1,024,903 from the Infrastructure Fund for operational and other financial needs. This loan is an unauthorized use of Infrastructure Surtax Funds. In addition, we noted that \$2,396 of Infrastructure Surtax Funds were expended for soccer goals. This expenditure does not meet the definition of infrastructure as defined by the statute. Substantive testing of account balances disclosed the use of Infrastructure Funds for both interfund advances and soccer goal expenditures.

**Context:**

In the prior year, the City’s General Fund subsidized similar deficit cash positions in the Airport and Water and Sewer Funds. However, a deficiency of revenue under expenditures in the General Fund has resulted in other funds having to support the deficit cash positions throughout the year. The Infrastructure Fund was the only fund with adequate cash position to cover the deficits.

**Effect:**

The City has expended proceeds of the infrastructure surtax for items not allowed by the statute.

**Cause:**

It is common for governments to pool the cash and investments of various funds. Each fund’s position in the pool is reflected as an asset. When an individual fund overdraws its share of pooled cash, the overdraft is reflected as an interfund liability. Likewise, an equivalent amount of some other fund’s position in the pool is reclassified as an interfund receivable as determined by management. Insufficient positive cash flow in the Airport and Water and Sewer Funds has resulted in overdrafts in those funds resulting in a “loan” from the Infrastructure Fund.

This system and accounting treatment can allow for misinterpretation of the overall financial position of the City if not considered along with other pertinent information such as aging of interfund balances, restrictions on use of revenues, cash balances, and realistic performance of proprietary funds.

Failure to monitor expenditures charged to the fund resulted in the expenditure for the soccer goals.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL PROGRAMS AND STATE PROJECTS (continued)**  
**For the Fiscal Year Ended September 30, 2007**

**PART II – FINANCIAL STATEMENT FINDINGS (concluded)**

**2007-02 – Use of Local Government Infrastructure Surtax Proceeds (concluded)**

**Recommendation:**

A review of all expenditures charged to the fund should be performed to ensure the Infrastructure Funds are used only for allowable expenditures. We also recommend developing a plan of repayment of the cash advances from the Infrastructure Fund beginning the current fiscal year. Account balances should be monitored to ensure that adequate cash is available in the pool to cover deficit balances in funds without using funds restricted for specific purposes.

**Management Response:**

Management concurs with this finding. Negative cash balances in the Airport and Water and Sewer Funds caused money to be advanced from the Infrastructure Fund. Negative cash balances in the Airport Fund were partially the result of payments being made for projects and reimbursements from agencies not being requested in a timely manner. Consultants are hired to administer all aspects of these projects. Management agrees that the Airport projects and ALL projects should be monitored more closely.

Deficit cash balances in the Water/Sewer Fund were the result of less than expected revenues. Impact fees were budgeted but were never received due to the drop in the construction of new residences.

Management concurs with the finding of the purchase of soccer goals for the Parks Department. The soccer goals in question were thought to be for a new soccer area; however, the two goals were actually replacing older goals and, therefore, Infrastructure Funds should not have been used to purchase these soccer goals. The General Fund will reimburse the Infrastructure Fund for these items.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL PROGRAMS AND STATE PROJECTS (continued)**  
**For the Fiscal Year Ended September 30, 2007**

**PART III – FEDERAL AWARD AND STATE ASSISTANCE FINDINGS AND QUESTIONED COSTS**

**U.S. Department of Transportation, Federal Aviation Administration, CFDA No. 20.106 - Airport Improvement Program-Runway 9/27 Construction**

**Florida Department of Transportation, CSFA 55.004 – Public Transportation – Runway 9/27 Rehab**

**2007-03 – Davis-Bacon Act**

**Criteria:**

The Office of Management and Budget's (OMB) Compliance Supplement requires the City to include in their construction contracts that are subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the City weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). Internal controls should be in place to satisfy these requirements.

**Condition:**

Review of the payroll and interview documentation for construction contracts tested disclosed that there was no documentation of employee interviews being conducted; therefore, any comparisons between the interview data and certified payroll data could not be completed.

**Context:**

Our audit procedures included selecting a sample of construction contracts greater than \$2,000 that were covered by the Davis-Bacon Act. Each contract was tested to verify that the contractor or subcontractor submitted the required certified payrolls weekly, that employee interviews were conducted to corroborate the data in the weekly payrolls, and documentation of those comparisons to the interview data and certified payroll data were completed.

**Effect:**

The City has not demonstrated adequate compliance with federal labor laws in accordance with the provisions of the Davis-Bacon Act, OMB Circular A-133, and OMB's Compliance Supplement.

**Cause:**

The City's lack of monitoring of consultants and knowledge of federal grant compliance requirements outlined in the OMB Compliance Supplement resulted in this finding.

**Recommendation:**

We recommend that the City conduct and document the Davis-Bacon interviews on the prescribed forms. This information should then be compared to the contractor payroll submissions to ensure that the data submitted is complete, accurate, and in compliance with the applicable wage rate standards. Furthermore, this documentation should be maintained by the City in a single file to facilitate future reference and to document the City's compliance with the requirements.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL PROGRAMS AND STATE PROJECTS (continued)**  
**For the Fiscal Year Ended September 30, 2007**

**PART III – FEDERAL AWARD AND STATE ASSISTANCE FINDINGS AND QUESTIONED COSTS (continued)**

**U.S. Department of Transportation, Federal Aviation Administration, CFDA No. 20.106 - Airport Improvement Program-Runway 9/27 Construction:**

**Florida Department of Transportation, CSFA 55.004 – Public Transportation – Runway 9/27 Rehab:**

**2007-03 – Davis-Bacon Act (concluded)**

**Management Response:**

Management concurs with this finding. All Federal funding sources are to be in compliance with the Office of Management and Budget's Circular and Compliance Supplement. This was a federal project for the Airport runway. This project was administered by a paid consultant who was not aware of this requirement; therefore, the City is held responsible. For ALL future federal and state grants if a consultant is obtained to administer a project, the City, through the Project Manager, will monitor the compliance issues and ask for monthly reports on all projects.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL PROGRAMS AND STATE PROJECTS (continued)**  
**For the Fiscal Year Ended September 30, 2007**

**PART III – FEDERAL AWARD AND STATE ASSISTANCE FINDINGS AND QUESTIONED COSTS (continued)**

**U.S. Department of Transportation, Federal Aviation Administration, CFDA No. 20.106 - Airport Improvement Program-Runway 9/27 Construction**

**Florida Department of Transportation, CSFA 55.004 – Public Transportation – Runway 9/27 Rehab**

**2007-04 – Procurement**

**Criteria:**

The OMB Compliance Supplement requires that the City use their own procurement procedures when selecting contractors for grant projects provided that those procedures conform with applicable Federal laws, regulations and standards identified in the A-102 Common Rule.

**Condition:**

Review of one construction contract disclosed that the City could not locate one of two bids submitted on the Construction of Runway 9/27 Pavement Rehabilitation project. The bid that was located was only partially complete.

**Context:**

Our audit procedures included selecting a sample of construction contracts to verify that they were procured in accordance with the OMB Compliance Supplement and the City's procurement procedures.

**Effect:**

The City's compliance with procurement procedures are not adequately documented due to the incomplete and missing information, including support for the bid that was not awarded the contract.

**Cause:**

The City's file maintenance policies and procedures failed to properly safeguard the documentation required to support the procurement process and award of the project.

**Recommendation:**

We recommend maintaining bid documents in accordance with the City's procurement and records retention policies to evidence the City's compliance with applicable laws, rules, regulations, or grant agreements.

**Management Response:**

Management concurs with this finding. Copies of the bids for the Airport runway project were not available. This project was administered by a paid consultant who was responsible for all record keeping, etc. The consultant did not have copies; therefore, the City is held responsible. For ALL future federal and state grants if a consultant is obtained to administer a project, the City will monitor the compliance issues and ask for monthly reports.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL PROGRAMS AND STATE PROJECTS (continued)**  
**For the Fiscal Year Ended September 30, 2007**

**PART III – FEDERAL AWARD AND STATE ASSISTANCE FINDINGS AND QUESTIONED COSTS (continued)**

**U.S. Department of Housing and Urban Development, Pass-through Florida Housing Finance Corporation, CFDA 14.239 – Home Investment Partnership Program-HOME**

**2007-05 – Subrecipient Reporting and Monitoring**

**Criteria:**

OMB Circular A-133 requires pass-through entities to identify in the schedule of expenditures of Federal awards the total amount provided to subrecipients from each Federal program. Additionally, the OMB Compliance supplement requires monitoring of the subrecipient's use of Federal awards.

**Condition:**

Our audit procedures disclosed that the City had not identified in the schedule of expenditures of Federal awards, as originally provided to us to begin the audit, a subrecipient, the Home Investment Partnership Program. The City has not monitored that subrecipient during the funding period.

**Context:**

While the City performs most of their federal and state grants internally, they made the decision to pass-through the HOME funding to a subrecipient due to their knowledge and experience in handling affordable housing type grants.

**Effect:**

The City's schedule of expenditures of Federal awards, as originally provided to us, was incomplete. Furthermore, the City has not met the Federal compliance requirements of adequately monitoring the subrecipient's use of Federal awards including review of subrecipient audit reports, on-site reviews, and review of expenditure information.

**Cause:**

The City's internal controls over grants and grant monitoring failed to identify, report and monitor the subrecipient in accordance with OMB requirements.

**Recommendation:** Monitoring of subrecipients should be conducted in sufficient detail to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved. We also recommend that staff responsible for grant management, monitoring and compliance seek additional training on the OMB compliance requirements.

**Management Response:**

Management concurs with this finding. A pass-through Florida Housing Grant for the Home Investment Partnership Program placed through the City with the subrecipient being Highlands County was not included on the City's Schedule of Federal Awards. The Finance Department was not aware of this grant until the County audit was completed. Grant agreements, etc. were not communicated to the Finance Department. All future grants will be monitored by the City's project manager and all agreements, contracts, etc. will be submitted to the Finance Department.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL PROGRAMS AND STATE PROJECTS (continued)**  
**For the Fiscal Year Ended September 30, 2007**

**PART III – FEDERAL AWARD AND STATE ASSISTANCE FINDINGS AND QUESTIONED COSTS (concluded)**

**Environmental Protection Agency, Pass-through Florida Department of Environmental Protection CFDA 66.458, Capitalization Grants for Clean Water – State Revolving Funds**

**Federal Aviation Administration, Pass-through Florida Department of Transportation CFDA 20.106, Airport Improvement Program**

**2007-06 – Compliance Reporting**

**Criteria:** According to the OMB Circular A-133, auditees are required to prepare the schedule of expenditures of Federal awards with certain minimum criteria. These criteria include, but are not limited to, providing total Federal awards expended for each individual Federal program and the CFDA number or other identifying number.

**Condition:**

Our audit procedures disclosed that the City has not identified or reported in the schedule of expenditures of Federal awards, as originally provided to us to begin the audit, \$102,300 in Capitalization Grants for Clean Water State Revolving Funds and \$67,200 in Airport Improvement Program expenditures.

**Context:**

Testing of the Schedule of Federal Awards for completeness resulted in this finding.

**Effect:**

The City's schedule of expenditures of Federal awards, as originally provided for audit, was materially understated.

**Cause:**

The City's internal controls over reporting of Federal awards failed to properly identify these expenditures.

**Recommendation:**

Internal controls related to grant reporting should be reviewed to determine appropriate procedures that can be implemented to ensure the City has the ability to properly identify and report all grants.

**Management Response:**

Management concurs with this finding. Changes were being made to the schedules during the audit. In the future, all grants will be revised and final amounts will be posted. The State Revolving Fund was administered through a consultant and the City was not aware this loan was considered a grant funding source by the State of Florida; therefore, this was not included in the grant schedule. Due to an oversight, the Airport improvement program was not listed on the schedule. Staff will implement procedures to maintain grant schedules with the Project Manager.

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL PROGRAMS AND STATE PROJECTS (concluded)**  
**For the Fiscal Year Ended September 30, 2007**

**PART IV – OTHER ITEMS**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs or state projects.



# The NCT Group CPA's, L.L.P.

Certified Public Accountants and Consultants

## MANAGEMENT LETTER

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

We have audited the financial statements of the City of Avon Park, Florida (the City), as of and for the fiscal year ended September 30, 2007 and have issued our report thereon dated April 9, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance Applicable to each Major Federal Program and State Project and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 9, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

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 significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

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 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, accounting procedures, and internal controls. Our audit disclosed the findings listed below under the heading Current Year Comments.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. Our audit disclosed the findings listed below under the heading Current Year Comments.

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed the findings listed below under the heading Current Year Comments.

## **CURRENT YEAR COMMENTS**

### **2007-01 – Financial Statement Adjustments**

#### **Criteria:**

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).

#### **Condition:**

A material weakness in internal control over financial reporting existed as of September 30, 2007 because material adjusting journal entries needed to be posted to the trial balances originally presented for audit in order for the financial statements to be presented fairly in accordance with GAAP. This weakness results in material understatements and overstatements in various account balances and funds of the City for the year ended September 30, 2007.

#### **Context:**

Substantive testing of account balances, analytical procedures and review of the City's trial balances noted the differences and adjustments necessary.

#### **Effect:**

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.

#### **Cause:**

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.

#### **Recommendation:**

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 each year. Unusual account balances should be identified by the Finance Director and analyzed for proper recording.

**Management Response:**

Management concurs with this finding. Year-end adjustments for program payables and funds received for the police retirement system were not included in the original trial balance given to the auditors. These documents were received after year-end and the adjustments were made at a later date. The Finance Department will add additional time for staff to review all receipts and payables for the year-end.

**2007-02 – Unauthorized Uses of Local Government Infrastructure Surtax Proceeds**

**Criteria:** The Infrastructure Fund accounts for the Local Government Infrastructure Surtax proceeds that are governed by Florida Statute 212.055(2). That statute restricts the use of the proceeds and any interest accrued to financing, planning and constructing infrastructure, acquiring land for public recreation or conservation, or protection of natural resources. The statute prohibits the use of the funds for operational expenses.

**Condition:**

As of September 30, 2007, the City’s Airport and Water and Sewer Funds had negative cash balances of \$580,177 and \$1,257,432, respectively. This deficit cash position has resulted in those funds borrowing a combined \$1,024,903 from the Infrastructure Fund for operational and other financial needs. This loan is an unauthorized use of Infrastructure Surtax funds. In addition, we noted that \$2,396 of Infrastructure Surtax funds were expended for soccer goals. This expenditure does not meet the definition of infrastructure as defined by the statute. Substantive testing of account balances disclosed the use of Infrastructure funds for both interfund advances and soccer goal expenditures.

**Context:**

In the prior year, the City’s General Fund subsidized similar deficit cash positions in the Airport and Water and Sewer Funds. However, a deficiency of revenue under expenditures in the General Fund has resulted in other funds having to support the deficit cash positions throughout the year. The Infrastructure Fund was the only fund with adequate cash position to cover the deficits.

**Effect:**

The City has expended proceeds of the infrastructure surtax for items not allowed by the statute.

**Cause:**

It is common for governments to pool the cash and investments of various funds. Each fund’s position in the pool is reflected as an asset. When an individual fund overdraws its share of pooled cash, the overdraft is reflected as an interfund liability. Likewise, an equivalent amount of some other fund’s position in the pool is reclassified as an interfund receivable as determined by management. Insufficient positive cash flow in the Airport and Water and Sewer Funds has resulted in overdrafts in those funds resulting in a “loan” from the Infrastructure Fund.

This system and accounting treatment can allow for misinterpretation of the overall financial position of the City if not considered along with other pertinent information such as aging of interfund balances, restrictions on use of revenues, cash balances, and realistic performance of proprietary funds.

Failure to monitor expenditures charged to the fund resulted in the expenditure for the soccer goals.

**Recommendation:**

A review of all expenditures charged to the fund should be performed to ensure the Infrastructure Funds are used only for allowable expenditures. We also recommend developing a plan of repayment of the cash advances from the Infrastructure Fund beginning the current fiscal year. Account balances should be monitored to ensure that adequate cash is available in the pool to cover deficit balances in funds without using funds restricted for specific purposes.

**Management Response:**

Management concurs with this finding. Negative cash balances in the Airport and Water and Sewer Funds caused money to be advanced from the Infrastructure Fund. Negative cash balances in the Airport Fund were partially the result of payments being made for projects and reimbursements from agencies not being requested in a timely manner. Consultants are hired to administer all aspects of these projects. Management agrees that the Airport projects and ALL projects should be monitored more closely.

Deficit cash balances in the Water/Sewer Fund were the result of less than expected revenues. Impact fees were budgeted but were never received due to the drop in the construction of new residences.

Management concurs with the finding of the purchase of soccer goals for the Parks Department. The soccer goals in question were thought to be for a new soccer area; however, the two goals were actually replacing older goals. Infrastructure Funds should not have been used to purchase these soccer goals. The General Fund will reimburse the Infrastructure Fund for these items

**2007-03 – Davis-Bacon Act****Criteria:**

The Office of Management and Budget's (OMB) Compliance Supplement requires the City to include in their construction contracts that are subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the City weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). Internal controls should be in place to satisfy these requirements.

**Condition:**

Review of the payroll and interview documentation for construction contracts tested disclosed that there was no documentation of employee interviews being conducted; therefore, any comparisons between the interview data and certified payroll data could not be completed.

**Context:**

Our audit procedures included selecting a sample of construction contracts greater than \$2,000 that were covered by the Davis-Bacon Act. Each contract was tested to verify that the contractor or subcontractor submitted the required certified payrolls weekly, that employee interviews were conducted to corroborate the data in the weekly payrolls, and documentation of those comparisons to the interview data and certified payroll data were completed.

**Effect:**

The City has not demonstrated adequate compliance with federal labor laws in accordance with the provisions of the Davis-Bacon Act, OMB Circular A-133, and OMB's Compliance Supplement.

**Cause:**

The City's lack of monitoring of consultants and knowledge of federal grant compliance requirements outlined in the OMB Compliance Supplement resulted in this finding.

**Recommendation:**

We recommend that the City conduct and document the Davis-Bacon interviews on the prescribed forms. This information should then be compared to the contractor payroll submissions to ensure that the data submitted is complete, accurate, and in compliance with the applicable wage rate standards. Furthermore, this documentation should be maintained by the City in a single file to facilitate future reference and to document the City's compliance with the requirements.

**Management Response:**

Management concurs with this finding. All Federal funding sources are to be in compliance with the Office of Management and Budget's Circular and Compliance Supplement. This was a federal project for the Airport runway which was administered by a paid consultant who was not aware of this requirement; therefore, the City is held responsible. In the future if a consultant is used to administer any federal and/or state grant projects, the City, through the Project Manager, will monitor the compliance issues and ask for monthly reports.

**2007-04 – Procurement****Criteria:**

The OMB Compliance Supplement requires that the City use their own procurement procedures when selecting contractors for grant projects provided that those procedures conform to applicable Federal laws, regulations and standards identified in the A-102 Common Rule.

**Condition:**

Review of one construction contract disclosed that the City could not locate one of two bids submitted on the Construction of Runway 9/27 Pavement Rehabilitation project. The bid that was located was only partially complete.

**Context:**

Our audit procedures included selecting a sample of construction contracts to verify that they were procured in accordance with the OMB Compliance Supplement and the City's procurement procedures.

**Effect:**

The City's compliance with procurement procedures are not adequately documented due to the incomplete and missing information, including support for the bid that was not awarded the contract.

**Cause:**

The City's file maintenance policies and procedures failed to properly safeguard the documentation required to support the procurement process and award of the project.

**Recommendation:**

We recommend maintaining bid documents in accordance with the City's procurement and records retention policies to evidence the City's compliance with applicable laws, rules, regulations, or grant agreements.

**Management Response:**

Management concurs with this finding. Copies of the bids for the Airport runway project were not available. This project was administered by a paid consultant who was responsible for all record keeping, etc. The consultant did not have the copies; therefore, the City is held responsible. For ALL future federal and state grants if a consultant is obtained to administer a project, the City will monitor the compliance issues and ask for monthly reports.

**2007-05 – Subrecipient Reporting and Monitoring****Criteria:**

OMB Circular A-133 requires pass-through entities to identify in the Schedule of Expenditures of Federal Awards the total amount provided to subrecipients from each Federal program. Additionally, the OMB Compliance supplement requires monitoring of the subrecipient's use of Federal awards.

**Condition:**

Our audit procedures disclosed that the City had not identified in the Schedule of Expenditures of Federal Awards, as originally provided to us to begin the audit, a subrecipient, the Home Investment Partnership Program. The City has not monitored that subrecipient during the funding period.

**Context:**

While the City performs most of their federal and state grants internally, they made the decision to pass-through the HOME funding to a subrecipient due to their knowledge and experience in handling affordable housing type grants.

**Effect:**

The City's Schedule of Expenditures of Federal Awards, as originally provided to us, was incomplete. Furthermore, the City has not met the Federal compliance requirements of adequately monitoring the subrecipient's use of Federal awards including review of subrecipient audit reports, on-site reviews, and review of expenditure information.

**Cause:**

The City's internal controls over grants and grant monitoring failed to identify, report and monitor the subrecipient in accordance with OMB requirements.

**Recommendation:** Monitoring of subrecipients should be conducted in sufficient detail to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved. We also recommend that staff responsible for grant management, monitoring and compliance seek additional training on the OMB compliance requirements.

**Management Response:**

Management concurs with this finding. A pass-through Florida Housing Grant for the Home Investment Partnership Program placed through the City with the sub recipient being Highlands County was not included on the City's Schedule of Federal Awards. The Finance Department was not aware of this grant until the County audit was completed. Grant agreements, etc. were not communicated to the Finance Department. All future grants will be monitored by the City's project manager and all agreements, contracts, etc. will be submitted to the Finance Department.

**2007-06 – Compliance Reporting**

**Criteria:** According to the OMB Circular A-133, auditees are required to prepare the Schedule of Expenditures of Federal Awards with certain minimum criteria. These criteria include, but are not limited to, providing total Federal awards expended for each individual Federal program and the CFDA number or other identifying number.

**Condition:**

Our audit procedures disclosed that the City has not identified or reported in the Schedule of Expenditures of Federal Awards, as originally provided to us to begin the audit, \$102,300 in Capitalization Grants for Clean Water State Revolving Funds and \$67,200 in Airport Improvement Program expenditures.

**Context:**

Testing of the Schedule of Federal Awards for completeness resulted in this finding.

**Effect:**

The City's Schedule of Expenditures of Federal Awards, as originally provided for audit, was materially understated.

**Cause:**

The City's internal controls over reporting of Federal awards failed to properly identify these expenditures.

**Recommendation:**

Internal controls related to grant reporting should be reviewed to determine appropriate procedures that can be implemented to ensure the City has the ability to properly identify and report all grants.

**Management Response:**

Management concurs with this finding. Changes were being made to the schedules during the audit. In the future, all grants will be revised and final amounts will be posted. The State Revolving Fund was administered through a consultant and the City was not aware this loan was considered a grant funding source by the State of Florida; therefore, this was not included in the grant schedule. Due to an oversight, the Airport improvement program was not listed on the schedule. Staff will implement procedures to maintain grant schedules with the Project Manager.

**2007-07: Budgetary Compliance****Criteria:**

Florida Statute 166.241(2) states “the budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations.”

**Condition:**

In the current year, the City’s Infrastructure Fund expenditures for the Fire Department exceeded the approved final budget by \$7,955; General Fund expenditures for the Police Department exceeded the approved final budget in total by \$85,500; General Fund expenditures for the Home Investment Partnership Program exceeded the approved final budget by \$178,067; and General Fund expenditures for other government services exceeded the approved final budget in total by \$218,766.

**Context:**

The City’s legal level of budgetary control is the department level. While expenditures of the fund as a whole were under budget, expenditures for the department exceeded the final budget.

**Effect:**

This over-expenditure of budget may evidence that the City is not fully regulating its expenditures or recognizing the proper period in which expenditures should be recorded.

**Cause:**

The budget was not monitored to identify the expenditures in excess of the final budget. In addition, material adjustments needed to be posted to the original trial balances presented to begin the audit. Some of these adjustments were for accrual of expenditures incurred before year-end that had not been identified by the City and, therefore, were not considered in connection with the budget.

**Recommendation:**

We recommend the City monitor its budget and make adjustments as needed to maintain proper budgetary control in accordance with the provisions of F.S 166.241.

**Management Response:**

Management concurs with this finding. The principal payments paid on the fire truck loan for the Fire Department exceeded the budgeted amount in the Infrastructure Fund. When the budget was made, an estimate of the payments was used because the loan contract was not available at that time. It was obtained later in the year.

General fund expenditures for the Police Department exceeded the budget because the funds were received after year-end for the police retirement fund and a pay-out was made to the Police Chief after his resignation.

General fund expenditures for other government services exceeded the budget because two invoices for construction performed in 2007 on the StreetScape TEA21 Project were received after year-end.

General fund expenditures for other government services exceeded the budget because a pass-through grant with Highlands County was not included.

Staff will review year-end billings for budget adjustments.

**2007-08: Payroll Procedures**

**Criteria:**

An adequate system of internal controls and procedures related to the payroll transaction cycle results in proper recording and documentation of amounts paid to employees and is a key consideration for any entity.

**Condition:**

During our testing of cash disbursements related to payroll, we noted instances where improvements can be made to the timecard and overtime tracking procedures. Timecards were not sufficiently completed in order to properly support the total hours paid, and there is no formal tracking of overtime hours on the timecards.

**Context:**

The conditions were noted during tests of the City's internal controls over the payroll cycle. The findings related to the Public Works and Parks and Recreation Departments.

**Effect:**

The amounts paid to employees are not adequately supported by the payroll records due to the incomplete timecards.

**Cause:**

The lack of formal procedures related to timecards and overtime tracking have led to the instances of incomplete payroll records.

**Recommendation:**

We recommend the City develop written uniform procedures for recording of employee time including overtime and use of timecards.

**Management Response:**

Management concurs with this finding. Timecards are not being used properly and the City has implemented new time recording procedures. Each employee will be responsible for completing the time sheet form and the department head will be responsible for approving it. It is very difficult for employees who work shift hours and are on call during their time off to punch timecards.

Tracking of overtime will be done on a one-to-one basis. All overtime has to be approved by the department head, noted on the employee's time sheet and signed by the department head. Any overtime relating to after hour call-outs will be documented with a copy of the work order for that call-out. This will verify after hours overtime.

Staff is obtaining information on other timekeeping methods.

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. See Note 1 in the Notes to Financial Statements.

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 conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2007, 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, 2007. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

### **Deteriorating Financial Conditions**

#### **Criteria:**

A municipality's financial condition affects its ability to provide services on a continuing basis at the level and quality required for the health, safety and welfare of its citizens.

#### **Condition:**

Financial condition assessment procedures disclosed deteriorating financial conditions as of September, 30, 2007. These deteriorating financial conditions are a continuation of those disclosed during the preceding annual financial audit reports.

#### **Context:**

Our assessment of the City's financial condition was based on certain financial indicator trends evaluated over a five-year period (fiscal years 2002-2003 through 2006-2007) and financial indicator benchmark comparisons evaluated for the 2006-2007 fiscal year. The financial condition assessment procedures consisted of evaluating 18 key financial indicators.

Of the 18 key financial indicators, 9 indicated an unfavorable rating and 2 of those were considered critical indicators. The following unfavorable rated financial indicators are the most significant:

- Critical Indicator - Unreserved fund balance and unrestricted net assets have declined over the last five years.
- Critical Indicator - The ratio of total cash and investments to total current liabilities has declined over the last five years.
- The ratio of unreserved fund balance to total revenues in governmental funds has declined significantly for the current fiscal year.

- The ratio of unrestricted net assets to total operating revenues in proprietary funds has declined over the last five years.

**Cause:**

While there are many factors that have contributed and continue to contribute to the deteriorating financial condition of the City, those of significance include: over-expending the available revenues in the governmental funds over the past five years; borrowing from other funds to meet operational and other financial needs as disclosed in finding 2007-02; and significant out-of-pocket costs to the City for state or federally grant funded projects.

**Effect:**

We believe that the results of the indicators listed above indicate that the City's overall financial condition is continuing the signs of deterioration which, if not corrected, could result in a future financial emergency. The unfavorably rated financial indicators may indicate a declining ability to raise the cash needed to meet ongoing fiscal obligations, impairments to liquidity, deficit spending, decreasing flexibility in allocating resources or responding to economic conditions, and a reduced ability to finance capital acquisitions without borrowing.

**Recommendation:**

The City should take appropriate corrective actions to address the above-noted factor to strengthen the City's financial condition. The financial plans should include: (1) a review of spending needs; (2) budgeting reserves to provide for future capital needs and unexpected costs; and (3) projecting revenues sufficient to cover projected costs. The General Fund budget should be analyzed to ensure future decreases in tax revenues will not be offset by the use of reserves to fund recurring expenditures. City management should continue to analyze existing rate structures for proprietary operations to determine their sufficiency in covering expenses and should explore all available options to increase its revenues or decrease expenditures. This analysis should also take into consideration finding 2007-02 regarding interfund advances and the lack of available cash to fund operations.

**Management Response:**

Management concurs with this finding. The City will work on a financial plan to repay cash deficits from the Water and Sewer and Airport Funds. The plan will also include increasing the fund balance and net asset reserves. All rates in the Enterprise Funds will be reevaluated along with the expenses.

We appreciate the opportunity to have been of service to you and the City. Should you have any questions about our recommendations, this letter, or other matters, please contact us at your convenience.

This management letter is intended solely for the information of the audit committee, management, City Council, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*The NCT Group CPA's, L.L.P.*

THE NCT GROUP CPA's, L.L.P.  
Sebring, Florida  
April 9, 2008