



# CITY OF AVON PARK

## *Comprehensive Annual Financial Report*

FISCAL YEAR | ENDED SEPTEMBER 30, 2009

Avon Park, Florida, known as the “City of Charm” and the “City of Champions,” is the oldest city in Highlands County, and was named after Stratford-upon-Avon, England. The first permanent settler in Avon Park was Oliver Martin Crosby, a Connecticut native who moved to the area in 1884 to study the wildlife of the Everglades. Crosby was first introduced to Florida when he signed on as editor of “The South” a New York publication that promoted Florida to northerners. By 1886, enough people had followed that the town of “Lake Forest” was founded. An English woman, Mrs. William King, who had settled in the area, convinced Crosby that the area was reminiscent of her home in Stratford-upon-Avon, and persuaded him to change the name of the settlement to Avon Park.



## ***The Crosby Home***

***Avon Park founder, Oliver M. Crosby's Home***

**CITY OF AVON PARK, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Prepared by:

Renée A. Green, CPA

Finance Director

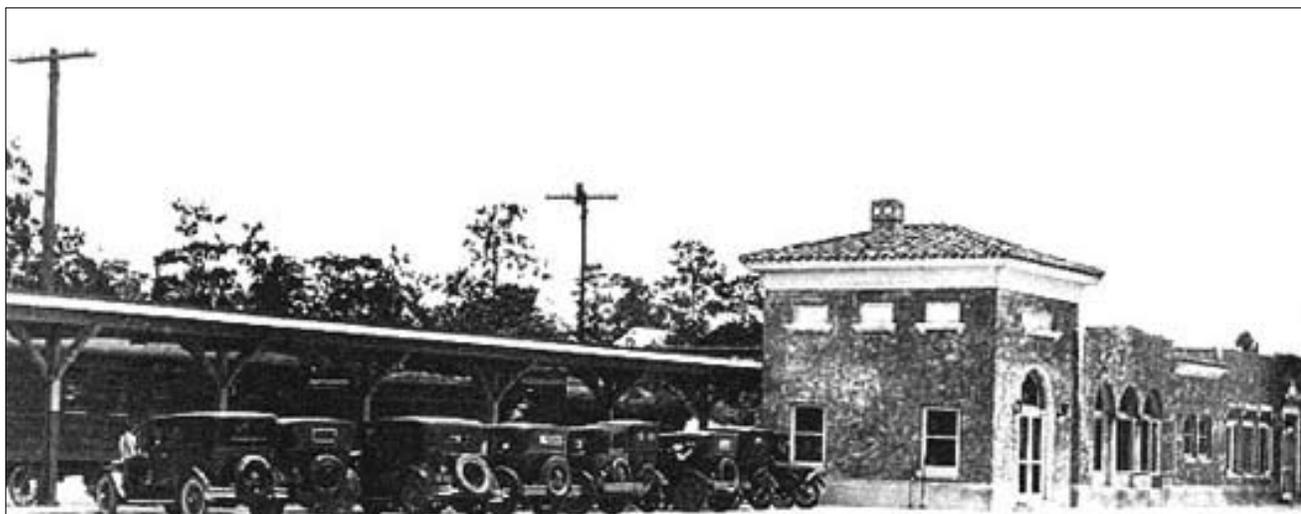


***Earliest picture of the Verona Hotel, built in 1887-1888.***

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***The First Train Depot***



***The Seaboard Airline Railroad Station in 1926.***

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# CITY OF AVON PARK

Highlands County, Florida

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

March 24, 2010

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, 2009.

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.

The CAFR contains four major sections: Introductory, Financial, Statistical, and Compliance. The Introductory Section is designed to give the reader general information on the government structure, services and environment. The Financial Section includes the Management Discussion and Analysis (MD&A) and the Basic Financial Statements including notes and the required supplementary information. The Statistical Section reflects social and economic data, financial trends and the fiscal capacity of the City. The Compliance Section includes independent auditors' reports on (1) compliance and on internal control over financial reporting and (2) management letter of independent auditors required by chapter 10.550, Rules of the Auditor General.

## **SIGNIFICANT CHANGES IN PRESENTATION**

This is the sixth year the City prepared the CAFR and the sixth year using the new financial reporting requirements and 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.

Office: 863-452-4410 Fax: 863-452-1802 E-mail: [apfinance@avonpark.cc](mailto:apfinance@avonpark.cc)

## **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 9,033 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. The taxable value of real property decreased 7 percent in 2009. New construction decreased 58 percent over last year.
- The Nation's economic factors have greatly influenced our City. Negative economic growth is correlated with decreased revenues from property taxes, sales taxes, and charges for services as well as state and federal grants.
- The unemployment rate for the County was 11.1 percent for the month of December 2009, which is less than the state of Florida rate of 11.8 percent and greater than the national rate of 9.7 percent. This is the highest rate in over 25 years.
- At this time the State of Florida has not released any revenue estimates for budget year 2011.

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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. Current projects include Runway Landing Designator markings design and construction and rehabilitate taxiway E lighting and electrical vault design.

Avon Park is experiencing a downward decline in growth but the need to improve infrastructure is still there. In 2009 The City began a large project of rehabilitating and upgrading the wastewater treatment plant. The City's water system is now connected to the Sebring Ridge main system. The City started an aggressive fire hydrant replacement plan in 2009 and will continue in 2010.

### **FUTURE CONCERNS AND PLANNING**

City staff and Council have begun planning for the next year due to the decline in the economy. As noted above the unemployment rate is constantly growing. As of February 2010 new estimates are projecting taxable values of property will decline ten to twelve percent. With the passing of Amendment 1 in January 2008 and the new caps on millage rates, the City has been experiencing a decline in funds. A twelve percent drop in values will cause an estimated \$181,274 drop in tax revenue.

The City is taking aggressive steps to monitor the current year's budget. Planning for a lower budget amount in 2011 will include reorganizing some departments, lower working hours on some employees to 32 hour work week and eliminating some contract work by using City employees.

The Public Works Director is researching new avenues of generating revenue for the water/sewer funds. He has implemented new cost saving ideas in the departments.

We are looking at combining duplicated services with other municipalities and with the County.

### **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 James Moore & Co., P.L., 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, 2009, 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.

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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, 2009, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader federal mandated single audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on those internal controls and legal requirements involving the administration of federal awards. These reports are in the compliance 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* and Rules of the Auditor General, Chapter 10.550.

### **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. The city has invested in cash money funds and fixed income account in U.S. Treasury Securities.

### **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, 2008. This was the fourth 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,

Maria Sutherland  
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, 2008

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.



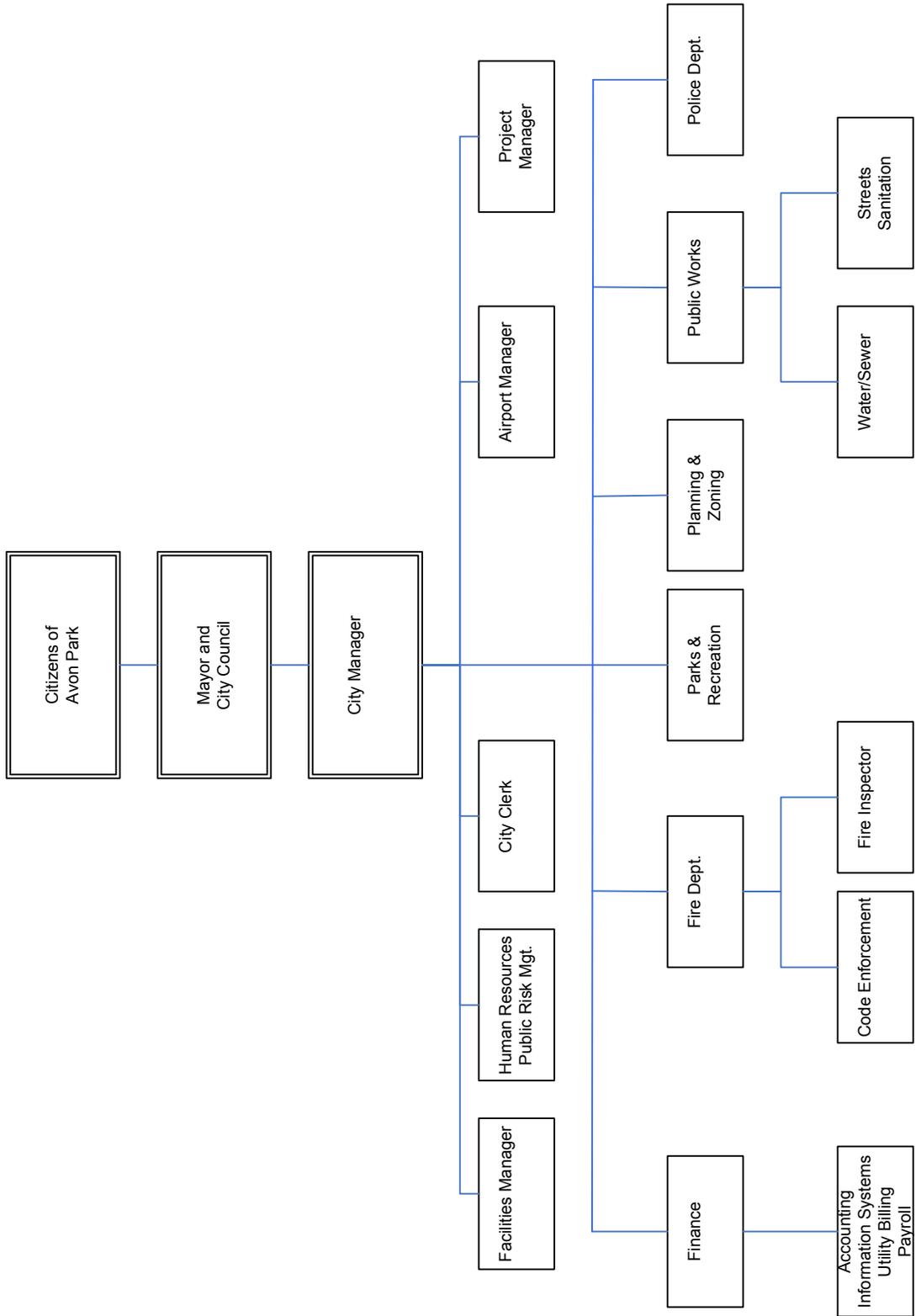
A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

CITY OF AVON PARK  
ORGANIZATIONAL CHART



## **List of Principal Officials**

### **City Council**

Sharon Schuler, Mayor

Brenda Gray, Deputy Mayor

Al Joe Hinson, Councilman

George Hall, Councilman

Joe Wright, Councilman

### **City Attorney**

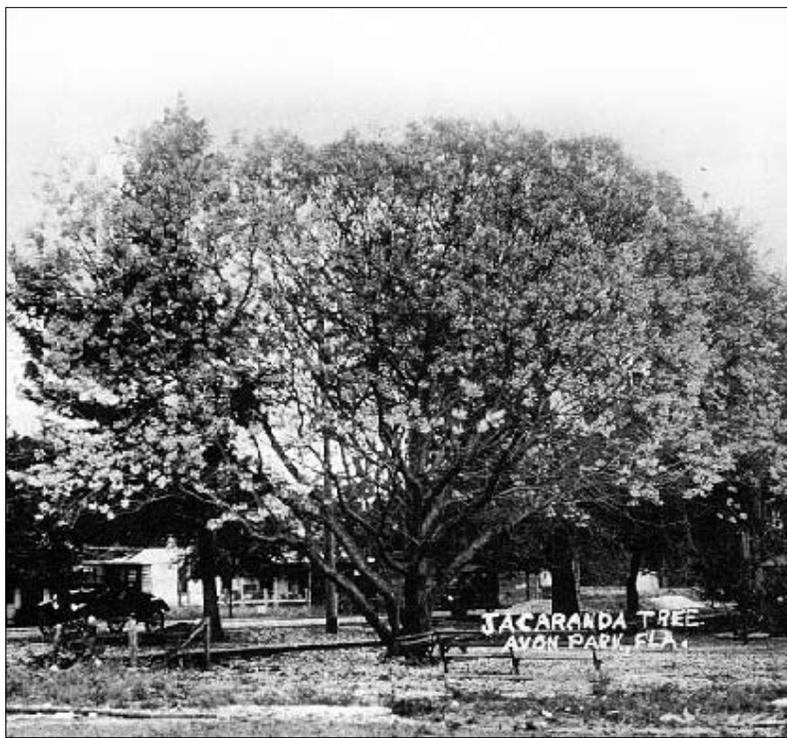
Gerald Buhr

### **City Manager**

Maria Sutherland

### **Finance Director**

Renée A. Green, CPA



***The Jacaranda tree was removed in 1923.  
This empty lot would be the location of  
the Jacaranda Hotel.***



***The Jacaranda Hotel opened in 1926.***

# JAMES MOORE & CO., P.L.

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avon Park, Florida (the City), as of and for the year ended September 30, 2009, which collectively comprise City of Avon Park, Florida's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Avon Park, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Avon Park Firefighters' Retirement System and Police Officers' Retirement System which statements are summarized in the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets as of and for the year ended September 30, 2009. This represents one-hundred percent of the fiduciary funds assets and revenues and ninety-eight and thirty-six percent of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included in the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

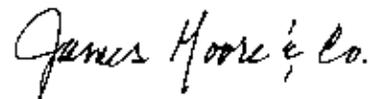
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avon Park, Florida, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparisons for the general, infrastructure and CRA funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the fiscal year ended September 30, 2008 financial statements have been restated to correct certain Airport fund capital improvements and deferred revenue.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2010, on our consideration of City of Avon Park, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 required supplementary information and management's discussion and analysis, as listed in the table of contents, are not a required 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Avon Park, Florida's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Schedule of Deposits and Withdrawals – CRA Funds is presented for purposes of additional analysis as required by *Florida Statutes 163.387(8) Redevelopment trust fund* and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 Organizations*, and is also not a required part of the basic financial statements of City of Avon Park, Florida. The Combining Schedule of Deposits and Withdrawals – CRA Funds and Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "James Moore & Co." The signature is written in dark ink and is positioned to the right of the date and location text.

Daytona Beach, Florida  
March 24, 2010

## 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, 2009. 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 – 5 of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$28,100,927. Of this amount, (\$588,057) (unrestricted net assets) has a negative balance due to cash deficits in the airport and water/sewer funds.
- As of the close of the current fiscal year, the City reported combined governmental ending fund balances of \$4,432,660, an increase of \$668,089 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,148,989 or 20 percent of total general fund expenditures.
- The City's non-current liabilities decreased by \$526,980 (6%) during the current year. The factors in this change are principal payments of \$994,747, increase in deferred revenue of \$660,823, increase in landfill closure liability of \$13,286 and a decrease in compensated absences of \$138,205.

### 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 25 - 26 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 27 - 33 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 34 - 37 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 38 - 39 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 40 - 65 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 67 - 68 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 \$28,100,927 at the close of the most recent fiscal year.

The largest portion of the City's net assets (86 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 (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$588,057) has a negative balance due to cash deficits in the airport and water/sewer funds.

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

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2009</b>	<b>Business- type Activities 2008</b>	<b>Business- type Activities 2009</b>	<b>Total 2008</b>	<b>Total 2009</b>
Current and other assets	\$4,183,560	\$5,040,860	\$1,964,730	\$2,569,984	\$6,148,290	\$ 7,610,844
Capital assets	<u>8,116,462</u>	<u>8,956,099</u>	<u>20,336,028</u>	<u>20,477,499</u>	<u>28,452,490</u>	<u>29,433,598</u>
Total assets	<u>12,300,022</u>	<u>13,996,959</u>	<u>22,300,758</u>	<u>23,047,483</u>	<u>34,600,780</u>	<u>37,044,442</u>
Long-term liabilities outstanding	1,976,750	1,729,936	6,217,651	5,937,485	8,194,401	7,667,421
Other liabilities	<u>353,535</u>	<u>375,234</u>	<u>816,189</u>	<u>900,860</u>	<u>1,169,724</u>	<u>1,276,094</u>
Total liabilities	<u>2,330,285</u>	<u>2,105,170</u>	<u>7,033,840</u>	<u>6,838,345</u>	<u>7,033,840</u>	<u>8,943,515</u>
Net assets:						
Invested in capital assets, net of related debt	6,939,276	7,975,124	15,258,264	16,251,607	22,197,540	24,226,731
Restricted	2,666,359	2,893,280	1,452,902	1,568,973	4,119,261	4,462,253
Unrestricted	<u>364,102</u>	<u>1,023,385</u>	<u>(1,444,248)</u>	<u>(1,611,442)</u>	<u>(1,080,146)</u>	<u>(588,057)</u>
Total net assets	<u>\$9,969,737</u>	<u>\$11,891,789</u>	<u>\$15,266,918</u>	<u>\$16,209,138</u>	<u>\$25,236,655</u>	<u>\$28,100,927</u>

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

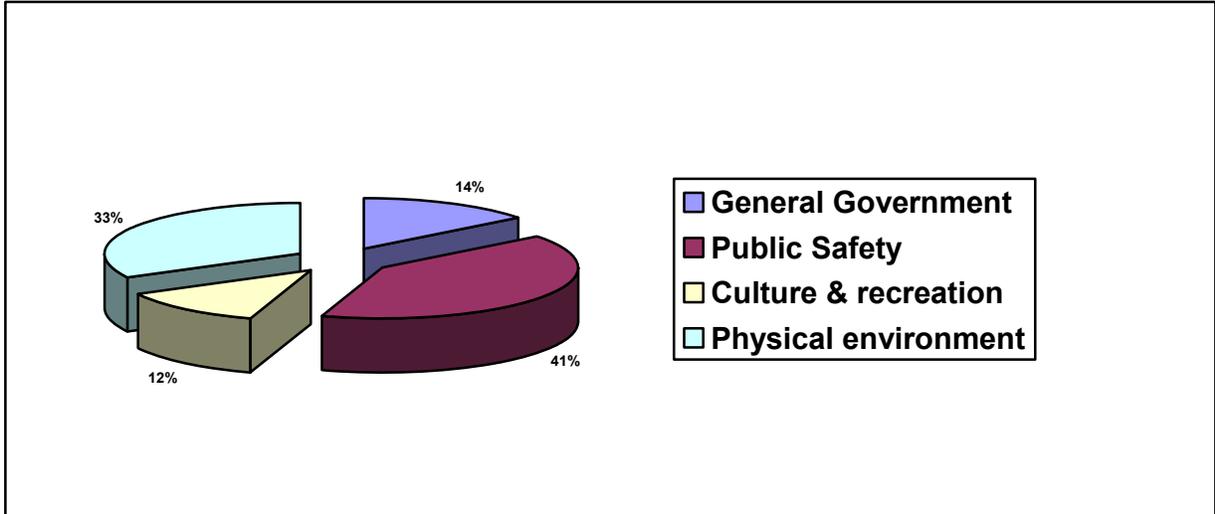
	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2009</b>	<b>Business- Type Activities 2008</b>	<b>Business- Type Activities 2009</b>	<b>Total 2008</b>	<b>Total 2009</b>
Revenues:						
Program revenues:						
Charges for services	\$ 1,125,727	\$1,148,470	\$5,031,493	\$ 4,988,531	\$ 6,157,220	\$6,137,001
Operating grants and contributions	541,911	580,802	-	-	541,911	580,802
Capital grants and contributions	208,786	1,086,493	1,200,727	693,950	1,409,513	1,780,443
General Revenues:						
Property taxes	1,648,599	1,556,117	-	-	1,648,599	1,556,117
Other taxes	2,285,479	2,236,688	-	-	2,285,479	2,236,688
Other	<u>1,330,950</u>	<u>1,056,459</u>	<u>218,153</u>	<u>62,652</u>	<u>1,549,103</u>	<u>1,119,111</u>
Total revenues	<u>7,141,452</u>	<u>7,665,029</u>	<u>6,450,373</u>	<u>5,745,133</u>	<u>13,591,825</u>	<u>13,410,162</u>
Expenses:						
General government	839,831	635,939	-	-	839,831	635,939
Public Safety	4,413,416	3,449,934	-	-	4,413,416	3,449,934
Physical Environment	671,528	601,986	-	-	671,528	601,986
Culture and Recreation	803,476	682,083	-	-	803,476	682,083
Economic Environment	167,557	208,495	-	-	167,557	208,495
Interest on long-term debt	82,976	73,011	-	-	82,976	73,011
Water/Sewer	-	-	3,249,266	2,879,831	3,249,266	2,879,831
Airport	-	-	669,003	578,119	669,003	578,119
Solid Waste	-	-	<u>1,226,273</u>	<u>1,132,480</u>	<u>1,226,273</u>	<u>1,132,480</u>
Total expenses	<u>6,978,784</u>	<u>5,651,448</u>	<u>5,144,542</u>	<u>4,590,430</u>	<u>12,123,326</u>	<u>10,241,878</u>
Increase in net assets before transfers	162,668	2,013,581	1,305,831	1,154,703	1,468,499	3,168,284
Transfers	<u>50,000</u>	<u>(91,529)</u>	<u>(50,000)</u>	<u>91,529</u>	-	-
Increase in net assets	212,668	1,922,052	1,255,831	1,246,232	1,468,499	3,168,284
Net assets, beginning	<u>9,757,069</u>	<u>9,969,737</u>	<u>14,011,087</u>	<u>14,962,906</u>	<u>23,768,156</u>	<u>24,932,643</u>
Restated						
Net assets, ending	<u>\$9,969,737</u>	<u>\$11,891,789</u>	<u>\$15,266,918</u>	<u>\$16,209,138</u>	<u>\$25,236,655</u>	<u>\$28,100,927</u>

**Governmental Activities.** Governmental activities increased by \$1,922,052 thereby accounting for 41 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

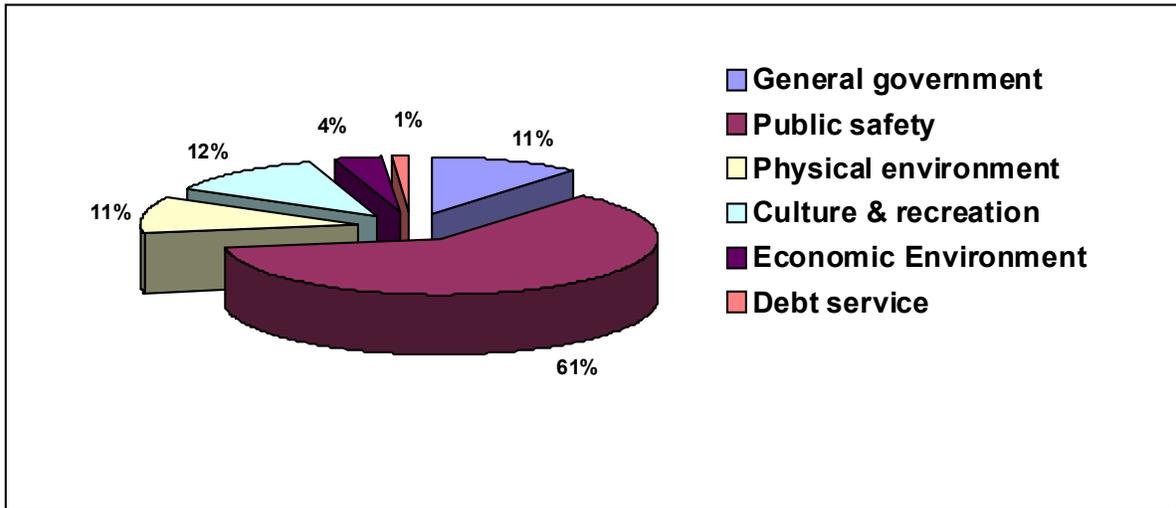
The City's governmental activities had net expenses of \$2,835,683. These services are intended to be primarily funded by taxes, as opposed to charges for services and grants. The City's business-type activities had net revenue of \$1,092,051.

Property taxes decreased by \$92,482 (6 percent) during the year. Operating grants and contributions and capital grants and contributions increased by \$824,116. This was due to amounts received for the C.D.B.G. streetscape grant in the amount of \$633,415 and the increase of the TEA21 streetscape grant of \$329,071.

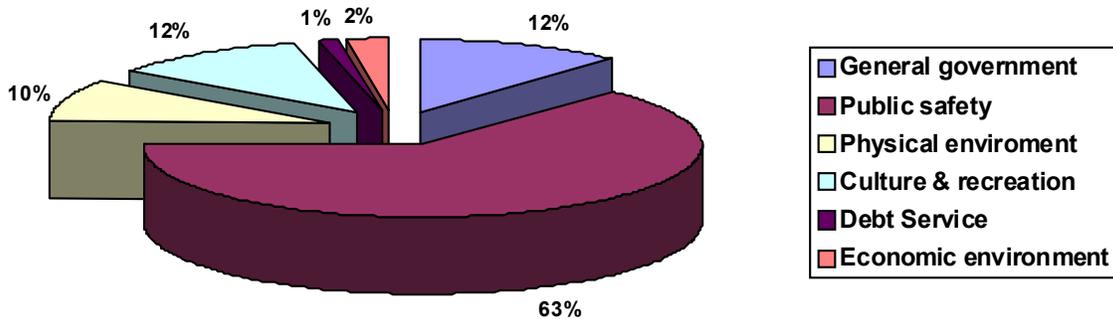
**PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES  
2008-09 Fiscal Year**



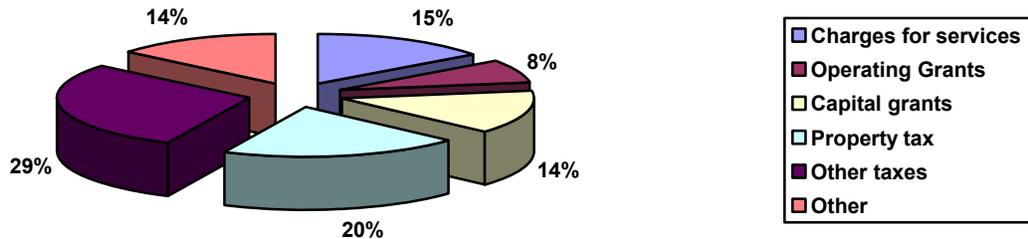
**PROGRAM EXPENSES – GOVERNMENTAL ACTIVITIES  
2008-09 Fiscal Year**



**PROGRAM EXPENSES- GOVERNMENTAL ACTIVITIES  
2007-2008 FISCAL YEAR**



**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES  
2008-09 Fiscal Year**



**Business-type Activities.** Business-type activities account for 58 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 \$942,220. Key elements of this increase were as follows:

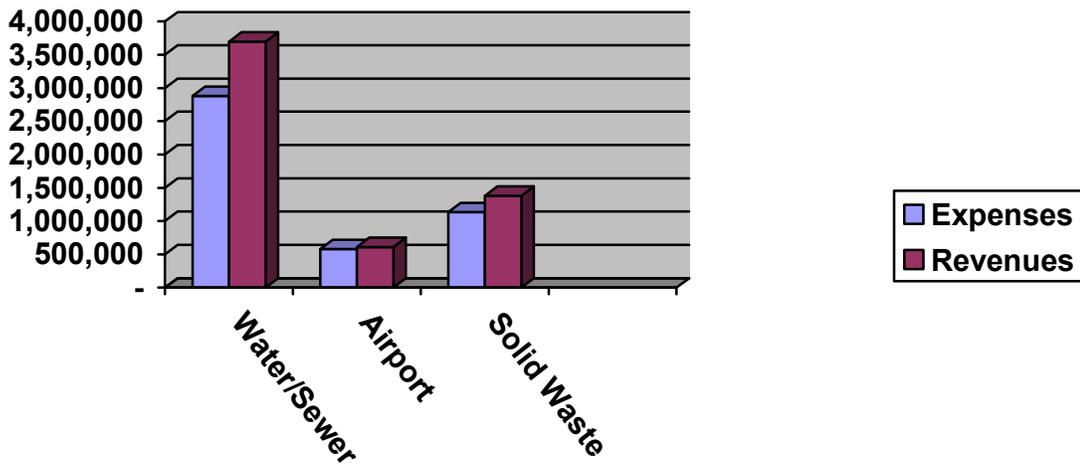
Charges for services for business-type activities decreased 1 percent.

Investments in capital assets, net of related debt for business-type activities increased by 7% due to increase in airport assets by \$639,405 which consist of \$467,560 for construction of FBO Building and \$330,921 for improvements to industrial building. Increase in water/sewer assets of \$286,188 for wastewater plant improvement of \$175,730 equipment and fire hydrants in the amount of \$85,742. The water/sewer fund has a deficit cash flow of \$993,657. This is a decrease from prior year of \$495,854.

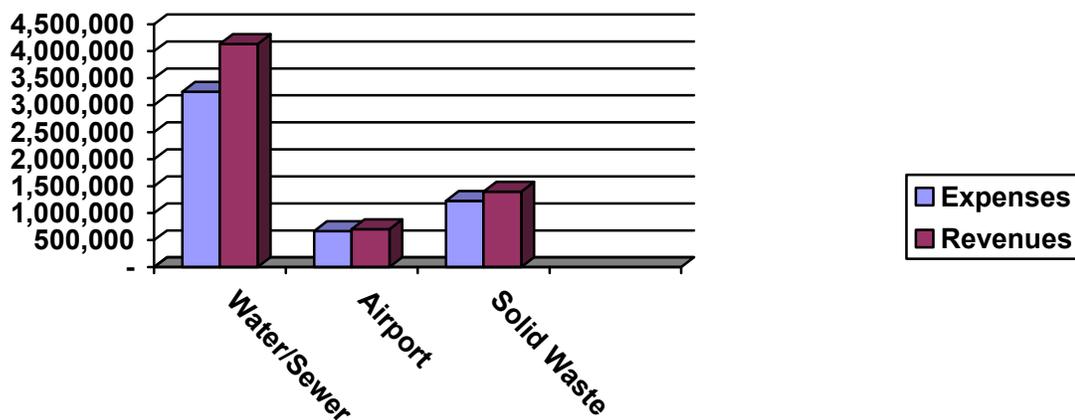
The Airport fund has a deficit of unrestricted net assets in the amount of \$982,837, an increase in deficit from prior year of \$845,111 due to the funds received are invested in “capital” assets. The Airport Fund is showing an operating loss of \$327,585. Operating revenues received were not enough to cover the operating expenses. The main contributor to the loss is the interest and liabilities recorded on the industrial building rental.

The Solid Waste Fund has operating income of \$257,280 and increase of \$70,523 from prior year. Operating expenses decreased by \$91,997.

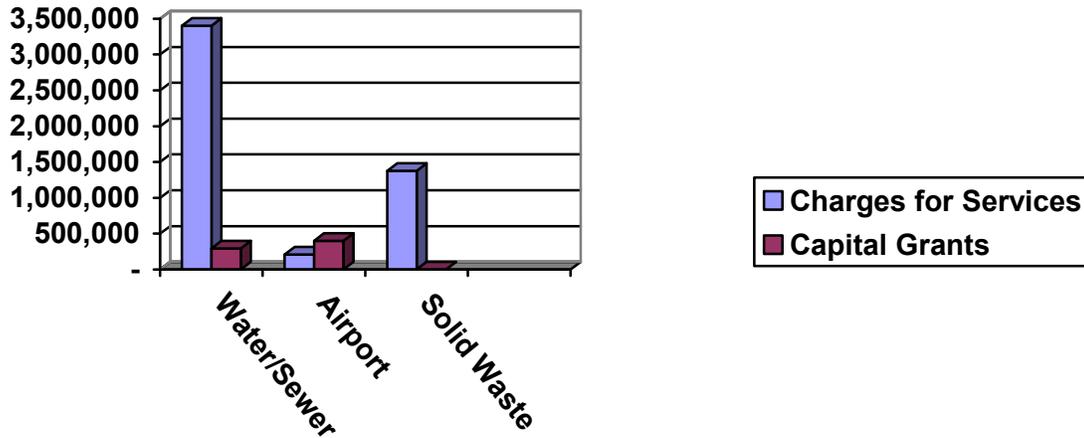
**EXPENSES AND PROGRAM REVENUES- BUSINESS-TYPE ACTIVITIES  
2008-09 Fiscal Year**



**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES  
Fiscal Year 2007-08**



**Fiscal Year 2008-09**



**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 \$4,432,660, an increase of \$668,089 in comparison of the prior year. Approximately \$4,023,146, or 91 percent, is in unreserved fund balance, which is available for spending at the City’s discretion. The City’s infrastructure fund, CRA Funds and CDBG fund are unrestricted within the fund but have overall restrictions. 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 \$1,148,989 while total fund balance reached \$1,558,503. 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 20 percent of total general fund expenditures, while total fund balance represents 28 percent of that same amount.

The fund balance of the City’s general fund increased by \$492,298 during the current fiscal year. Key factors in this increase were due to reductions in expenditures of \$925,350.

The fund balance of the City’s infrastructure fund increased by \$228,211 during the current fiscal year. Key factors in this increase were due to reductions in expenditures of \$138,486.

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

Unrestricted net assets of the Water and Sewer fund at the end of the year were \$(1,261,986). The Airport fund and Solid Waste funds unrestricted net assets were \$(982,837) and \$633,381 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 \$139,409 increase in revenues and a \$214,409 increase in expenditures. These differences were as follows:

- Intergovernmental revenues increased \$49,403 due to State Grants for police \$48,054.
- Miscellaneous revenues increased \$80,385 due to insurance reimbursements of \$12,049, and payment from Blue Cross Blue Shield for pro share in premiums refunds \$65,134.
- Public Safety expenditures increased \$70,486 due to increase of increase in unemployment for the Police Department of \$35,000, and \$14,000 adjustment for health insurance. Fire department increased \$65,589 due to reclassification of fire fighter from code enforcement salary and benefits \$67,050.
- Street Department expenditures increased \$203,559 due to street and sidewalk improvements were made from Revenue Bond proceeds of \$200,000.
- Culture and Recreation increased \$42,670 due to an increase in RPPAC funds spent on the soccer field and Aline McWhite playground restrooms \$42,775.
- Other Government services decreased \$76,306 due to decrease in TEA 21 Grant expenditures of \$140,000 and an increase in health wellness program of \$55,434.

The general fund final budget compared to the actual revenues was higher by \$521,309 due to decrease in intergovernmental revenues, mainly grant revenues which were carried over to the next year. A similar difference occurred with expenditures since several capital projects were delayed.

### **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, 2008 amounts to \$29,433,598 (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 3 percent.

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

- A variety of street projects including resurfacing existing roads, addition of new sidewalks and curbing. The total for the year was \$606,168 and \$337,725 which is included in Construction In Progress.
- Other streets and curbs were completed in the amount of \$84,853.

- Assets increased \$444,918 due to the improvements to Donaldson Park \$56,014, improvements and playground equipment at Aline McWhite playground \$102,800, improvements to Memorial Soccer field \$20,775, new lighting at Lucy Derkman ball field \$22,400 and the purchase of police equipment of \$154,027, fire equipment \$29,510.
- Projects for airport improvements increased \$218,907 for the new 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 \$296,884. Equipment purchases were approximately \$99,914, sewer plant improvements in C.I.P. \$175,730 and the water extension from Memorial Ave. to Sebring Ridge \$12,740.

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

	<b>Governmental Activities <u>2008</u></b>	<b>Governmental Activities <u>2009</u></b>	<b>Business- type Activities <u>2008</u></b>	<b>Business- type Activities <u>2009</u></b>	<b>Total <u>2008</u></b>	<b>Total <u>2009</u></b>
Land	\$ 316,634	\$ 316,634	\$ 818,360	\$ 818,360	\$ 1,134,994	\$ 1,134,994
Buildings & system Machinery & Equipment	2,932,991	2,844,164	16,581,227	17,078,050	19,514,218	19,922,214
Infrastructure	1,772,466	1,685,529	2,335,665	2,116,740	4,108,131	3,802,269
Construction in progress	2,102,721	2,934,335	-	-	2,102,721	2,934,335
	<u>991,650</u>	<u>1,175,437</u>	<u>630,776</u>	<u>464,349</u>	<u>1,622,426</u>	<u>1,639,786</u>
	<u>\$8,116,462</u>	<u>\$8,956,099</u>	<u>\$20,366,028</u>	<u>\$20,477,499</u>	<u>\$28,482,490</u>	<u>\$29,433,598</u>

Additional information on the City's capital assets can be found on Note 4 on pages 51 - 53 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$7,412,349. Of this amount, \$3,585,000 comprises debt secured by specific revenue sources (revenue bonds) and \$2,167,988 is for notes payable, \$791,517 for future landfill closure, \$461,714 for compensated absences and \$406,130 for deferred revenue relating to the airport industrial building.

**CITY OF AVON PARK'S OUTSTANDING DEBT**

	<b>Governmental Activities <u>2008</u></b>	<b>Governmental Activities <u>2009</u></b>	<b>Business- type Activities <u>2008</u></b>	<b>Business- type Activities <u>2009</u></b>	<b>Total <u>2008</u></b>	<b>Total <u>2009</u></b>
Loans payable and other obligations	\$1,976,750	\$1,729,936	\$2,177,651	\$2,097,413	\$4,154,401	\$3,827,349
Revenue bonds	-	-	<u>4,040,000</u>	<u>3,585,000</u>	<u>4,040,000</u>	<u>3,585,000</u>
Total	<u>\$2,278,241</u>	<u>\$1,729,936</u>	<u>\$8,194,401</u>	<u>\$5,682,413</u>	<u>\$8,194,401</u>	<u>\$7,412,349</u>

The City's total debt decreased \$782,052 (10 percent) during the current fiscal year. The City maintains an "A-" rating from Standard & Poor's.

General 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 \$1,185,000.

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 \$280,783 in the water and sewer fund.

Additional information on the City's long-term debt can be found in Note 5 on pages 54 - 56 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Economic growth in the local economy is influenced by local and national economic factors. Negative economic growth is correlated with decreased revenues from property taxes, sales taxes, and charges for services as well as state and federal grants. Unemployment, new construction, assessed valuation, and growth are indicators of economic growth.

- The taxable value of real property in the City decreased 7 percent over last year. Estimates for 2009-2010 expect a 10 to 12 percent decrease in property values.
- New construction decreased 58 percent over last year.
- The unemployment rate for the County was 11.1 percent for the month of December 2009, which is less than the state of Florida rate of 11.8 percent and greater than the national rate of 9.7 percent. This is the highest rate in over 25 years.
- Building and construction permits for year ending totaled 416 permits. For year ending 2009 the total of permits issued in the City was 93 a 78 percent decrease.

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

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

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

The Utilities Department has researched our capability of accepting and treating septic tank septage. This has the potential of generating \$70,000 to \$100,000 in added revenues, without any capital investment by the department.

The Utilities Department is presently working on a meter replacement program for 800 meters within Sebring Ridge. This meter change out is estimated to generate an additional \$35,000 to \$40,000 annually in revenue.

## **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.



***Verona Hotel was remodeled in 1906 and renamed to Avon Hotel.***

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**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in pooled cash, cash equivalents and investments	\$ 3,201,899	\$ -	\$ 3,201,899
Accounts receivable, net	153,992	443,467	597,459
Internal balances	210,864	(210,864)	-
Due from other governments	822,659	2,146	824,805
Other assets	34,668	-	34,668
Prepaid items	42,542	72,436	114,978
Inventory	-	127,262	127,262
Restricted cash and cash equivalents	403,032	1,979,808	2,382,840
Net pension asset	171,204	-	171,204
Deferred charges	-	155,729	155,729
Capital assets:			
Land	316,634	818,360	1,134,994
Construction in progress	1,175,437	464,349	1,639,786
Buildings and system	4,735,160	31,056,480	35,791,640
Equipment	4,871,054	4,459,572	9,330,626
Infrastructure	3,211,695	-	3,211,695
Intangible assets	-	273,161	273,161
Accumulated depreciation and amortization	(5,353,881)	(16,594,423)	(21,948,304)
<b>Total Assets</b>	<u>\$ 13,996,959</u>	<u>\$ 23,047,483</u>	<u>\$ 37,044,442</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 343,095	\$ 195,935	\$ 539,030
Deferred revenue	9,464	45,000	54,464
Due to fiduciary funds	22,675	-	22,675
Payable from restricted assets:			
Interest payable	-	40,636	40,636
Deposits	-	619,289	619,289
Noncurrent liabilities:			
Due within one year	513,501	963,632	1,477,133
Due in more than one year	1,216,435	4,973,853	6,190,288
Total liabilities	<u>2,105,170</u>	<u>6,838,345</u>	<u>8,943,515</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,975,124	16,251,607	24,226,731
Restricted for:			
Infrastructure	2,369,733	-	2,369,733
Community redevelopment	504,424	-	504,424
Other	19,123	-	19,123
System improvements	-	356,474	356,474
Debt service	-	962,499	962,499
Renewal and replacement	-	250,000	250,000
Unrestricted	1,023,385	(1,611,442)	(588,057)
Total net assets	<u>11,891,789</u>	<u>16,209,138</u>	<u>28,100,927</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 13,996,959</u>	<u>\$ 23,047,483</u>	<u>\$ 37,044,442</u>

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

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Functions/Programs</b>							
<b>Governmental activities</b>							
General government	\$ 635,939	\$ 15,187	\$ 51,062	\$ 337,376	\$ (232,314)	\$ -	\$ (232,314)
Public safety	3,449,934	1,046,369	52,225	49,881	(2,301,459)	-	(2,301,459)
Physical environment	601,986	42,480	248,254	633,415	322,163	-	322,163
Culture and recreation	682,083	44,434	229,261	65,821	(342,567)	-	(342,567)
Economic environment	208,495	-	-	-	(208,495)	-	(208,495)
Debt service:							
Interest on long-term debt	73,011	-	-	-	(73,011)	-	(73,011)
<b>Total governmental activities</b>	<b>5,651,448</b>	<b>1,148,470</b>	<b>580,802</b>	<b>1,086,493</b>	<b>(2,835,683)</b>	<b>-</b>	<b>(2,835,683)</b>
<b>Business-type activities</b>							
Water and sewer	2,879,831	3,401,255	-	294,302	-	815,726	815,726
Airport	578,119	209,192	-	399,648	-	30,721	30,721
Solid waste	1,132,480	1,378,084	-	-	-	245,604	245,604
Total business-type activities	<b>4,590,430</b>	<b>4,988,531</b>	<b>-</b>	<b>693,950</b>	<b>-</b>	<b>1,092,051</b>	<b>1,092,051</b>
<b>Total primary government</b>	<b>10,241,878</b>	<b>6,137,001</b>	<b>580,802</b>	<b>1,780,443</b>	<b>(2,835,683)</b>	<b>1,092,051</b>	<b>(1,743,632)</b>
<b>General revenues</b>							
Taxes							
Property taxes					1,556,117	-	1,556,117
Sales tax					705,949	-	705,949
Services taxes					295,172	-	295,172
Franchise taxes					583,896	-	583,896
Utility taxes					651,671	-	651,671
Unrestricted intergovernmental revenue					991,412	-	991,412
Investment income (loss)					(5,204)	(25,412)	(30,616)
Miscellaneous					70,251	88,064	158,315
Transfers					(91,529)	91,529	-
<b>Total general revenues and transfers</b>					<b>4,757,735</b>	<b>154,181</b>	<b>4,911,916</b>
<b>Change in net assets</b>					<b>1,922,052</b>	<b>1,246,232</b>	<b>3,168,284</b>
<b>Net assets, beginning of year, as restated</b>					<b>9,969,737</b>	<b>14,962,906</b>	<b>24,932,643</b>
<b>Net assets, end of year</b>					<b>\$ 11,891,789</b>	<b>\$ 16,209,138</b>	<b>\$ 28,100,927</b>

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

**CITY OF AVON PARK, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	<u>General</u>	<u>Infrastructure</u>	<u>CRA Funds</u>	<u>(Nonmajor) CDBG Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in pooled cash, cash equivalents and investments	\$ 433,470	\$ 2,270,671	\$ 446,613	\$ 51,145	\$ 3,201,899
Accounts receivable, net	153,992	-	-	-	153,992
Due from other governments	599,500	106,298	-	116,861	822,659
Due from other funds	210,864	-	-	-	210,864
Other assets	34,668	-	-	-	34,668
Restricted cash and cash equivalents	403,032	-	-	-	403,032
<b>Total Assets</b>	<u>\$ 1,835,526</u>	<u>\$ 2,376,969</u>	<u>\$ 446,613</u>	<u>\$ 168,006</u>	<u>\$ 4,827,114</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 202,903	\$ 7,236	\$ 2,504	\$ 107,691	\$ 320,334
Due to fiduciary funds	22,675	-	-	-	22,675
Deferred revenue	51,445	-	-	-	51,445
Total liabilities	<u>277,023</u>	<u>7,236</u>	<u>2,504</u>	<u>107,691</u>	<u>394,454</u>
Fund balances:					
Reserved for:					
Law enforcement	12,641	-	-	-	12,641
Street improvements	390,391	-	-	-	390,391
Bouis Foundation	6,482	-	-	-	6,482
Unreserved, reported in:					
General fund	1,148,989	-	-	-	1,148,989
Special revenue funds	-	2,369,733	444,109	60,315	2,874,157
Total fund balances	<u>1,558,503</u>	<u>2,369,733</u>	<u>444,109</u>	<u>60,315</u>	<u>4,432,660</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,835,526</u>	<u>\$ 2,376,969</u>	<u>\$ 446,613</u>	<u>\$ 168,006</u>	<u>\$ 4,827,114</u>

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

**CITY OF AVON PARK, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

<b>Fund Balances - Total Governmental Funds</b>	\$ 4,432,660
Amounts reported for governmental activities in the statement of net assets are different because:	
The cumulative effect of overfunding the actuarial required contributions to a pension fund does not represent a financial asset in the governmental funds. In the statement of net assets, which is presented on the accrual basis, an asset is reported since the adjustment to expense is fully recognized in the the statement of activities.	171,204
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.	41,981
Prepaid items in the governmental funds are recognized utilizing the purchases method and accordingly are recognized as expenditures as incurred. In the statement of net assets, which is presented on the accrual basis, a prepaid items is reported since the expenditure relates to future periods	42,542
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental capital assets	14,309,980
Accumulated depreciation	(5,353,881)
Long-term liabilities, are not due and payable in the current period and therefore, are not reported in the funds.	
Interest payable	(22,761)
Compensated absences	(358,570)
Notes payable	(1,371,366)
<b>Net Assets of Governmental Activities</b>	<b>\$ 11,891,789</b>

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

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>General</u>	<u>Infrastructure</u>	<u>CRA Funds</u>	<u>(Nonmajor) CDBG Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 3,335,110	\$ 705,949	\$ -	\$ -	\$ 4,041,059
Charges for services	899,163	-	-	-	899,163
Licenses and permits	63,355	-	-	-	63,355
Intergovernmental	1,602,102	-	200,112	633,415	2,435,629
Fines and forfeitures	109,085	-	400	-	109,485
Investment income (loss)	899	(6,699)	596	-	(5,204)
Miscellaneous	125,648	-	196	-	125,844
Total revenues	<u>6,135,362</u>	<u>699,250</u>	<u>201,304</u>	<u>633,415</u>	<u>7,669,331</u>
<b>Expenditures</b>					
Current:					
General government	649,057	-	-	-	649,057
Public safety	3,290,335	-	-	-	3,290,335
Physical environment	516,289	-	-	-	516,289
Culture and recreation	542,244	-	-	-	542,244
Economic environment	-	-	191,368	17,127	208,495
Capital outlay	655,463	120,572	-	662,534	1,438,569
Debt service					
Principal retirement	-	189,109	-	-	189,109
Interest and other debt service	-	75,615	-	-	75,615
Total expenditures	<u>5,653,388</u>	<u>385,296</u>	<u>191,368</u>	<u>679,661</u>	<u>6,909,713</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>481,974</u>	<u>313,954</u>	<u>9,936</u>	<u>(46,246)</u>	<u>759,618</u>
<b>Other financing sources (uses)</b>					
Transfers in	177,582	-	167,258	50,694	395,534
Transfers out	(167,258)	(85,743)	(234,062)	-	(487,063)
Total other financing sources (uses)	<u>10,324</u>	<u>(85,743)</u>	<u>(66,804)</u>	<u>50,694</u>	<u>(91,529)</u>
<b>Net change in fund balances</b>	<u>492,298</u>	<u>228,211</u>	<u>(56,868)</u>	<u>4,448</u>	<u>668,089</u>
<b>Fund balances, beginning of year</b>	1,066,205	2,141,522	500,977	55,867	3,764,571
<b>Fund balances, end of year</b>	<u>\$ 1,558,503</u>	<u>\$ 2,369,733</u>	<u>\$ 444,109</u>	<u>\$ 60,315</u>	<u>\$ 4,432,660</u>

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

**CITY OF AVON PARK, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 668,089</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>In the governmental funds, contributions made to a pension fund in excess of the actuarial required contribution amount are reported as an expenditure. In the Statement of net assets, the amount is reported as an asset. Thus the change in net assets differs from the change in fund balance by the amount contributed in excess of the actuary's requirement.</p>		
	56,668	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital assets	1,455,877	
Less: Current year depreciation	616,205	
		839,672
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.</p>		
		(4,302)
<p>Prepaid items in the governmental funds are recognized utilizing the purchases method and accordingly are recognized as expenditures as incurred. In the statement of net assets, which is presented on the accrual basis, a prepaid items is reported since the expenditure relates to future periods</p>		
		42,542
<p>The repayment of principal on long-term debt consumes current financial resources of governmental funds. However, such repayment does not affect net assets on the statement of activities. Similarly, the governmental funds do not reflect compensated absences.</p>		
Long-term debt		189,109
Compensated absences		57,670
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds such as:</p>		
Claims and judgments		70,000
Interest		2,604
<b>Change in Net Assets of Governmental Activities</b>		<b>\$ 1,922,052</b>

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

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$ 3,295,840	\$ 3,295,840	\$ 3,335,110	\$ 39,270
Charges for services	998,872	1,003,736	899,163	(104,573)
Licenses and permits	18,000	18,000	63,355	45,355
Intergovernmental	1,989,000	2,038,403	1,602,102	(436,301)
Fines and forfeitures	91,350	96,107	109,085	12,978
Investment income	65,000	65,000	899	(64,101)
Miscellaneous	59,200	139,585	125,648	(13,937)
Total revenues	<u>6,517,262</u>	<u>6,656,671</u>	<u>6,135,362</u>	<u>(521,309)</u>
<b>Expenditures</b>				
City council	25,267	25,267	23,793	1,474
City manager	253,336	253,336	240,860	12,476
Finance	165,517	165,517	160,673	4,844
Legal counsel	79,000	88,200	88,131	69
Other government services	981,211	904,905	472,162	432,743
Police	1,980,074	2,044,142	1,889,845	154,297
Fire	1,280,867	1,346,456	1,210,225	136,231
Code enforcement	244,647	181,821	169,192	12,629
Planning and zoning	71,362	75,017	74,096	921
Street	611,696	815,255	559,035	256,220
Parks	854,562	891,491	537,647	353,844
Recreation	262,722	268,463	193,799	74,664
Community center	51,450	43,250	33,930	9,320
Total expenditures	<u>6,861,711</u>	<u>7,103,120</u>	<u>5,653,388</u>	<u>1,449,732</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(344,449)</u>	<u>(446,449)</u>	<u>481,974</u>	<u>928,423</u>
<b>Other financing sources (uses)</b>				
Issuance of long-term debt	289,000	289,000	-	(289,000)
Transfers in	60,000	162,000	177,582	15,582
Transfers out	(177,223)	(177,223)	(167,258)	9,965
Total other financing sources (uses)	<u>171,777</u>	<u>273,777</u>	<u>10,324</u>	<u>(263,453)</u>
<b>Net change in fund balances</b>	<u>(172,672)</u>	<u>(172,672)</u>	<u>492,298</u>	<u>664,970</u>
<b>Fund balances, beginning of year</b>	1,066,205	1,066,205	1,066,205	-
<b>Fund balances, end of year</b>	<u>\$ 893,533</u>	<u>\$ 893,533</u>	<u>\$ 1,558,503</u>	<u>\$ 664,970</u>

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

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
INFRASTRUCTURE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>			<b>Variance with Final budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$ 834,009	\$ 834,009	\$ 705,949	\$ (128,060)
Investment income (loss)	11,437	11,187	(6,699)	(17,886)
Total revenues	<u>845,446</u>	<u>845,196</u>	<u>699,250</u>	<u>(145,946)</u>
<b>Expenditures</b>				
General government	34,000	55,974	32,625	23,349
Police	-	31,344	29,229	2,115
Fire	84,338	120,770	113,768	7,002
Streets	620,582	345,482	196,465	149,017
Parks and recreation	16,526	16,526	13,209	3,317
Water utility services	-	-	-	-
Total expenditures	<u>755,446</u>	<u>570,096</u>	<u>385,296</u>	<u>184,800</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>90,000</u>	<u>275,100</u>	<u>313,954</u>	<u>38,854</u>
<b>Other financing sources (uses)</b>				
Transfers out	-	(275,100)	(85,743)	189,357
Total other financing sources (uses)	<u>-</u>	<u>(275,100)</u>	<u>(85,743)</u>	<u>189,357</u>
<b>Net change in fund balances</b>	<u>90,000</u>	<u>-</u>	<u>228,211</u>	<u>228,211</u>
<b>Fund balances, beginning of year</b>	2,141,522	2,141,522	2,141,522	-
<b>Fund balances, end of year</b>	<u>\$ 2,231,522</u>	<u>\$ 2,141,522</u>	<u>\$ 2,369,733</u>	<u>\$ 228,211</u>

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

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**CRA FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>			<b>Variance with Final budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental revenues	\$ 170,479	\$ 170,479	\$ 200,112	\$ 29,633
Fines and forfeitures	-	-	400	400
Investment income	2,000	2,000	596	(1,404)
Miscellaneous	-	-	196	196
Total revenues	<u>172,479</u>	<u>172,479</u>	<u>201,304</u>	<u>28,825</u>
<b>Expenditures</b>				
Operating	204,711	265,715	191,368	74,347
Capital outlay	189,663	161,972	-	161,972
Total expenditures	<u>394,374</u>	<u>427,687</u>	<u>191,368</u>	<u>236,319</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(221,895)</u>	<u>(255,208)</u>	<u>9,936</u>	<u>265,144</u>
<b>Other financing sources (uses)</b>				
Transfers in	167,258	167,258	167,258	-
Transfers out	(72,855)	(138,549)	(234,062)	(95,513)
Total other financing sources (uses)	<u>94,403</u>	<u>28,709</u>	<u>(66,804)</u>	<u>(95,513)</u>
<b>Net change in fund balances</b>	<u>(127,492)</u>	<u>(226,499)</u>	<u>(56,868)</u>	<u>169,631</u>
<b>Fund balances, beginning of year</b>	500,977	500,977	500,977	-
<b>Fund balances, end of year</b>	<u>\$ 373,485</u>	<u>\$ 274,478</u>	<u>\$ 444,109</u>	<u>\$ 169,631</u>

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

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2009**

	<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>				
Current assets:				
Restricted equity in pooled cash, cash equivalents and investments:				
Debt service	\$ 428,135	\$ -	\$ -	\$ 428,135
Accounts receivable, net	345,932	14,242	83,293	443,467
Due from other governments	-	2,146	-	2,146
Due from other funds	-	-	1,050,803	1,050,803
Prepaid expenses	44,841	16,097	11,498	72,436
Inventories	127,262	-	-	127,262
Total current assets	<u>946,170</u>	<u>32,485</u>	<u>1,145,594</u>	<u>2,124,249</u>
Noncurrent assets:				
Restricted equity in cash, cash equivalents and investments:				
Debt service	575,000	-	-	575,000
Renewal and replacement	250,000	-	-	250,000
Impact fees	356,474	-	-	356,474
Landfill closure	-	-	370,199	370,199
Deferred charges	155,729	-	-	155,729
Capital assets:				
Land	182,893	635,467	-	818,360
Building and system	21,060,047	9,994,578	1,855	31,056,480
Equipment	3,266,319	3,544	1,189,709	4,459,572
Construction in progress	231,263	233,086	-	464,349
Intangible assets	-	-	273,161	273,161
Accumulated depreciation and amortization	<u>(12,809,195)</u>	<u>(2,744,105)</u>	<u>(1,041,123)</u>	<u>(16,594,423)</u>
Capital assets, net of accumulated depreciation and amortization	11,931,327	8,122,570	423,602	20,477,499
Total noncurrent assets	<u>13,268,530</u>	<u>8,122,570</u>	<u>793,801</u>	<u>22,184,901</u>
<b>Total Assets</b>	<u>\$ 14,214,700</u>	<u>\$ 8,155,055</u>	<u>\$ 1,939,395</u>	<u>\$ 24,309,150</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 149,423	\$ 1,418	\$ 45,094	\$ 195,935
Due to other funds	993,657	268,010	-	1,261,667
Compensated absences	57,344	-	25,766	83,110
Deposits	579,597	39,692	-	619,289
Current portion of landfill closure	-	-	26,460	26,460
Deferred revenue - current	-	45,000	-	45,000
Current portion of loans payable	304,416	10,243	74,403	389,062
Current liabilities payable from restricted assets:				
Interest payable	40,636	-	-	40,636
Current portion of bonds payable	465,000	-	-	465,000
Total current liabilities	<u>2,590,073</u>	<u>364,363</u>	<u>171,723</u>	<u>3,126,159</u>
Noncurrent liabilities:				
Compensated absences	-	-	20,035	20,035
Landfill closure	-	-	765,057	765,057
Deferred revenue	-	661,202	-	661,202
Bonds payable, net of current portion	3,120,000	-	-	3,120,000
Loans payable, net of current portion	82,953	185,273	139,333	407,559
Total non-current liabilities	<u>3,202,953</u>	<u>846,475</u>	<u>924,425</u>	<u>4,973,853</u>
Total liabilities	<u>5,793,026</u>	<u>1,210,838</u>	<u>1,096,148</u>	<u>8,100,012</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	8,114,687	7,927,054	209,866	16,251,607
Restricted for:				
System improvement	356,474	-	-	356,474
Debt Service	962,499	-	-	962,499
Renewal and replacement	250,000	-	-	250,000
Unrestricted	<u>(1,261,986)</u>	<u>(982,837)</u>	<u>633,381</u>	<u>(1,611,442)</u>
Total net assets	<u>8,421,674</u>	<u>6,944,217</u>	<u>843,247</u>	<u>16,209,138</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 14,214,700</u>	<u>\$ 8,155,055</u>	<u>\$ 1,939,395</u>	<u>\$ 24,309,150</u>

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

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total</b>
	<b>Water and Sewer Fund</b>	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	
<b>Operating revenues</b>				
Charges for services	\$ 3,401,255	\$ 209,192	\$ 1,378,084	\$ 4,988,531
Miscellaneous	76,263	11,801	-	88,064
Total operating revenues	<u>3,477,518</u>	<u>220,993</u>	<u>1,378,084</u>	<u>5,076,595</u>
<b>Operating expenses</b>				
Personal services	916,791	14,434	493,034	1,424,259
Materials, supplies, services, and other operating expenses	1,090,982	263,545	515,195	1,869,722
Depreciation and amortization	711,271	270,599	112,575	1,094,445
Total operating expenses	<u>2,719,044</u>	<u>548,578</u>	<u>1,120,804</u>	<u>4,388,426</u>
<b>Operating income (loss)</b>	<u>758,474</u>	<u>(327,585)</u>	<u>257,280</u>	<u>688,169</u>
<b>Nonoperating revenues (expenses)</b>				
Investment income (loss)	(33,874)	-	8,462	(25,412)
Interest/amortization expense	(160,787)	(29,541)	(11,676)	(202,004)
Total nonoperating revenues (expenses)	<u>(194,661)</u>	<u>(29,541)</u>	<u>(3,214)</u>	<u>(227,416)</u>
Income (loss) before transfers and capital contributions	<u>563,813</u>	<u>(357,126)</u>	<u>254,066</u>	<u>460,753</u>
<b>Capital contributions - capital grants</b>	-	399,648	-	399,648
<b>Capital contributions - impact fees and capital contributions</b>	294,302	-	-	294,302
<b>Transfers in</b>	85,743	55,786	-	141,529
<b>Transfers out</b>	-	-	(50,000)	(50,000)
<b>Changes in net assets</b>	<u>943,858</u>	<u>98,308</u>	<u>204,066</u>	<u>1,246,232</u>
<b>Total net assets, beginning of year, as restated</b>	7,477,816	6,845,909	639,181	14,962,906
<b>Total net assets, end of year</b>	<u>\$ 8,421,674</u>	<u>\$ 6,944,217</u>	<u>\$ 843,247</u>	<u>\$ 16,209,138</u>

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

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 3,503,478	\$ 297,721	\$ 1,382,404	\$ 5,183,603
Cash paid to suppliers	(1,075,165)	(284,862)	(517,060)	(1,877,087)
Cash paid to employees	(997,114)	(13,683)	(496,272)	(1,507,069)
Net cash provided by (used in) operating activities	<u>1,431,199</u>	<u>(824)</u>	<u>369,072</u>	<u>1,799,447</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers from (to) other funds	<u>(410,111)</u>	<u>15,599</u>	<u>(491,009)</u>	<u>(885,521)</u>
<b>Cash flows from capital and related financing activities</b>				
Principal payments on loans payable	(267,823)	(9,557)	(71,059)	(348,439)
Principal payments on bonds payable	(455,000)	-	-	(455,000)
Interest paid	(149,341)	(29,541)	(11,676)	(190,558)
Proceeds from impact fees and capital contributions	294,302	-	-	294,302
Proceeds from capital grants	-	496,582	-	496,582
Acquisition and construction of capital assets	(296,883)	(472,259)	-	(769,142)
Net cash provided by (used in) capital and related financing activities	<u>(874,745)</u>	<u>(14,775)</u>	<u>(82,735)</u>	<u>(972,255)</u>
<b>Cash flows from investing activities</b>				
Investment income (loss)	(33,874)	-	8,462	(25,412)
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>112,469</u>	<u>-</u>	<u>(196,210)</u>	<u>(83,741)</u>
<b>Equity in restricted cash, cash equivalents and investments, beginning of year</b>	1,497,140	-	566,409	2,063,549
<b>Equity in restricted cash, cash equivalents and investments, end of year</b>	<u>\$ 1,609,609</u>	<u>\$ -</u>	<u>\$ 370,199</u>	<u>\$ 1,979,808</u>

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

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**  
(Continued)

	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
<b>Reconciliation of cash and cash equivalents to statement of net assets</b>				
Restricted equity in cash, cash equivalents and investments in current assets	\$ 428,135	\$ -	\$ -	\$ 428,135
Restricted equity in cash, cash equivalents and investments in noncurrent assets	1,181,474	-	370,199	1,551,673
Total cash and cash equivalents	<u>\$ 1,609,609</u>	<u>\$ -</u>	<u>\$ 370,199</u>	<u>\$ 1,979,808</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 758,474	\$ (327,585)	\$ 257,280	\$ 688,169
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	711,271	270,599	98,917	1,080,787
Amortization	-	-	13,658	13,658
Changes in certain assets and liabilities:				
Accounts receivable	(771)	110,410	4,320	113,959
Prepaid expenses	(44,841)	(16,097)	(11,498)	(72,436)
Inventories	18,086	-	-	18,086
Compensated absences	(78,047)	-	(2,487)	(80,534)
Accounts payable and accrued liabilities	40,296	(4,469)	(4,404)	31,423
Deferred revenue - current	-	(26,000)	-	(26,000)
Deposits	26,731	(7,682)	-	19,049
Landfill closure	-	-	13,286	13,286
Net cash provided by (used in) operating activities	<u>\$ 1,431,199</u>	<u>\$ (824)</u>	<u>\$ 369,072</u>	<u>\$ 1,799,447</u>

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

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF PLAN NET ASSETS  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2009**

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Interest and dividend receivable	\$ 35,730
Contributions receivable from City	22,675
Due from other governmental agency	-
Investments:	-
Short-term money market funds	580,752
U.S. Government agencies and securities	579,011
Mortgage backed securities	362,474
Corporate, municipal, and foreign bonds	1,349,442
Corporate equity securities	4,298,180
Total assets	7,228,264
<b>Liabilities</b>	-
<b>Net assets held in trust for pension benefits</b>	\$ 7,228,264

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

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employees' contributions	\$ 84,015
Employer's contributions	261,936
State contributions	100,537
Total contributions	446,488
Investment earnings (loss)	
Net decrease in investments	(37,851)
Investment expense	(50,693)
Net investment earnings (loss)	(88,544)
Total additions	357,944
<b>Deductions</b>	
Benefits	509,972
Administrative expenses	81,038
Total deductions	591,010
<b>Change in Net Assets</b>	(233,066)
<b>Net assets held in trust for pension benefits, beginning of year</b>	7,461,330
<b>Net assets held in trust for pension benefits, end of year</b>	\$ 7,228,264

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

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

(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 9,030 residents. The City also operates water and wastewater, airport, and solid waste enterprises.

The accompanying financial statements include all those separately administered departments and funds for which the City has financial accountability. There are no potential component units of the City.

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

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

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

**Government-wide Financial Statements**

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

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

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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 another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

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

The City's 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 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.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

**Governmental Funds**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, intergovernmental revenues and interest earned associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. When grant terms provide that the expenditure or resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. All other revenue items are considered to be measurable only when cash is received by the City.

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

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

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

**Proprietary Funds**

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The City applies all Statement of Financial Accounting Standards and Interpretations issued before November 30, 1989, except those that conflict with or contradict Statements of Government Accounting Standards. The City has elected not to apply Financial Accounting Standards Board Pronouncements issued after November 30, 1989.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

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

**Basis of Presentation**

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

**Governmental Major Funds**

General Fund—This fund accounts for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from local property and utilities service taxes, franchises, licenses and permits, intergovernmental revenue, and charges for services. Expenditures are incurred to provide public safety, general government, physical environment, and recreational services.

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

CRA Funds—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, South Side and Airport redevelopment areas.

**Proprietary Major Funds**

Water and Sewer Fund—This fund accounts for the facilities and administration relating to residential and commercial sewer and water services provided to City of Avon Park residents and outside of city residents. This fund includes long-term debt related to these utilities.

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

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

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

**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 CRA 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 include principal payments.

Budgets are not prepared for the Pension Trust Funds.

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

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

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

"Total fund balances" of the City's governmental funds, \$4,432,660, differs from net assets" of governmental activities, \$11,704,247, 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.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

The "net change in fund balances" for governmental funds, \$668,089, differs from the "change in net assets" for governmental activities, \$1,621,174 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

**Reclassification and Eliminations**

Transfers in and transfers out in the amount of \$395,534 between governmental activities were eliminated.

(e) **Cash and cash equivalents**—The City considers cash and cash equivalents to be cash on hand, cash in banks, and short-term investments with maturities less than three months when acquired, including restricted assets.

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.

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

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

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

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

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

Transfers are reported in the "Other Financing Sources (Uses)" section in the Statement of Revenues, Expenditures, and Changes in Fund Balances and in the "Operating Transfers" section in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. As of fiscal year end, any unpaid amounts related to these transactions are reported as due to/from other funds on the balance sheet.

Long-term interfund advances are recorded as reductions in fund balance by the advancing fund in the Governmental Fund Types. The amount advanced is reported as "Advances to other funds" and as "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, 2009 amounts to \$95,606.

(k) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, rights-of-way, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Only the infrastructure assets acquired or constructed beginning in the fiscal year 2004 are reported and depreciated. Retroactive reporting of infrastructure assets prior to the fiscal year 2004 will not be implemented in accordance with the provisions of GASB Statement No. 34.

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

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

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

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

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.
- 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, 2009, representing the City's commitment to fund such costs from future operations. In the governmental funds, only amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The liability for compensated absences is liquidated in the fund in which an employee's payroll expense is normally recorded. The general fund has been used in prior years to liquidate the liability for compensated absences in governmental funds.

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

(n) **Retiree health insurance**—Health insurance is available to retired employees at the retirees' cost. No life insurance is provided for retired employees.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

(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.

(q) **Property taxes**—Ad valorem taxes for the current fiscal year (beginning October 1, 2008) are assessed on July 1, 2008 based on property values of January 1, 2008. The taxes are billed in the month of November 2008 by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due November 1, 2008 (levy date) and become delinquent April 1, 2009. Tax certificates are issued for delinquent taxes by June 1, 2009 (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.

(2) **Deposits and Investments:**

(a) **Deposits**—At September 30, 2009, the carrying amount of the City's deposits was \$3,688,947 and the bank balance was \$3,992,689. 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 \$1,700 cash on hand at September 30, 2009.

(b) **Investments**—As of September 30, 2009, the City had the following investments and maturities:

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

Investment Type	Fair Value	Remaining Maturities (in Years)			
		Less Than 1	1 - 5	6-10	More Than 10
U.S. Government securities	\$ 185,362	\$ 185,362	\$ -	\$ -	\$ -
U.S. Government Bonds	1,015,983	1,015,983	-	-	-
Florida SBA LGIP Fund A	637,754	637,754	-	-	-
Florida SBA LGIP Fund B	54,993	-	-	54,993	-
Total fair value	<u>\$ 1,894,092</u>	<u>\$ 1,839,099</u>	<u>\$ -</u>	<u>\$ 54,993</u>	<u>\$ -</u>

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments of current operating funds to have maturities of no longer than 18 months. Investments of bond reserves, construction funds, and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed ten years.

*Credit Risk.* Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy minimizes credit risk by limiting the maximum percentage that may be invested in any one entity or instrument at any one time. Presented below is the actual rating as of September 30, 2009 for each type of investment in debt securities.

Rating as of Year-End	U.S. Government Securities	U.S. Government Bonds	SBA LGIP Fund A	SBA LGIP Fund B
AAAm	\$ -	\$ -	\$ 637,754	\$ -
AAA	185,362	1,015,983	-	-
Not rated	-	-	-	54,993
Total	<u>\$ 185,362</u>	<u>\$ 1,015,983</u>	<u>\$ 637,754</u>	<u>\$ 54,993</u>

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

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

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, 2009**

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

The City is a member of the Local Government Surplus Funds Trust Fund Investment Pool Fund A (the Pool) that is administered by the State Board of Administration of Florida (SBA). At September 30, 2009, the carrying amount of the City's deposits was \$637,754 and the SBA balances were \$637,754. This pool is a "2a-7 like" pool, which has the characteristics of a money market fund. Therefore, the fair value of the City's position in the Pool is the same as the value of the Pool shares.

The City is also a member of the Local Government Surplus Funds Trust Fund Investment Pool Fund B that is administered by the State Board of Administration of Florida (SBA). At September 30, 2009, the carrying amount of the City's deposits was \$100,139 and the fair value was \$54,993. The SBA's interpretation in regards to Fund B is that it does not meet the requirements of a SEC 2a7-like fund; therefore, SBA is providing a Fair Value factor which is equal to 0.549% of the City's carrying amount in Fund B.

*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.

(3) **Receivables:**

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>			<b>Total</b>
	<b>General</b>	<b>Water and Sewer</b>	<b>Airport</b>	<b>Solid Waste</b>	
Utility and franchise taxes	\$ 110,214	\$ -	\$ -	\$ -	\$ 110,214
Code enforcement	65,433	-	-	-	65,433
Water and sewer charges	-	365,932	-	-	365,932
Solid waste charges	-	-	-	130,293	130,293
Miscellaneous	1,797	-	14,242	-	16,039
Gross receivables	177,444	365,932	14,242	130,293	687,911
Allowance for doubtful accounts	(23,452)	(20,000)	-	(47,000)	(67,000)
	<u>\$ 153,992</u>	<u>\$ 345,932</u>	<u>\$ 14,242</u>	<u>\$ 83,293</u>	<u>\$ 620,911</u>

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**(4) Capital Assets:**

Capital asset activity for the year ended September 30, 2009 was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 316,634	\$ -	\$ -	\$ -	\$ 316,634
Construction in process	991,650	1,010,924	-	(827,137)	1,175,437
Total capital assets, not being depreciated	<u>1,308,284</u>	<u>1,010,924</u>	<u>-</u>	<u>(827,137)</u>	<u>1,492,071</u>
Capital assets, being depreciated:					
Buildings	4,677,774	37,386	-	20,000	4,735,160
Equipment	4,809,805	277,503	(216,254)	-	4,871,054
Infrastructure	2,274,529	130,029	-	807,137	3,211,695
Total capital assets, being depreciated:	<u>11,762,108</u>	<u>444,918</u>	<u>(216,254)</u>	<u>827,137</u>	<u>12,817,909</u>
Less accumulated depreciation for:					
Buildings	(1,744,783)	(146,213)	-	-	(1,890,996)
Equipment	(3,037,339)	(364,440)	216,254	-	(3,185,525)
Infrastructure	(171,808)	(105,552)	-	-	(277,360)
Total accumulated depreciation	<u>(4,953,930)</u>	<u>(616,205)</u>	<u>216,254</u>	<u>-</u>	<u>(5,353,881)</u>
Total capital assets, being depreciated, net	<u>6,808,178</u>	<u>(171,287)</u>	<u>-</u>	<u>827,137</u>	<u>7,464,028</u>
Governmental activities capital assets, net	<u>\$ 8,116,462</u>	<u>\$ 839,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,956,099</u>

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

	<b>Beginning Balance, as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 818,360	\$ -	\$ -	\$ -	\$ 818,360
Construction in process	630,776	188,470	-	(354,897)	464,349
Total capital assets, not being depreciated	<u>1,449,136</u>	<u>188,470</u>	<u>-</u>	<u>(354,897)</u>	<u>1,282,709</u>
Capital assets, being depreciated & amortized:					
Buildings and system	30,220,122	481,461	-	354,897	31,056,480
Machinery and equipment	4,411,703	99,914	(52,045)	-	4,459,572
Intangible assets	273,161	-	-	-	273,161
Total capital assets, being depreciated & amortized:	<u>34,904,986</u>	<u>581,375</u>	<u>(52,045)</u>	<u>354,897</u>	<u>35,789,213</u>
Less accumulated depreciation & amortization for:					
Buildings and system	(13,190,800)	(787,630)	-	-	(13,978,430)
Machinery and equipment	(2,197,324)	(293,129)	52,015	-	(2,438,438)
Intangible assets	(163,897)	(13,658)	-	-	(177,555)
Total accumulated depreciation & amortization	<u>(15,552,021)</u>	<u>(1,094,417)</u>	<u>52,015</u>	<u>-</u>	<u>(16,594,423)</u>
Total capital assets, being depreciated & amortized, net	<u>19,352,965</u>	<u>(513,042)</u>	<u>(30)</u>	<u>354,897</u>	<u>19,194,790</u>
Business-type activities capital assets, net	<u>\$ 20,802,101</u>	<u>\$ (324,572)</u>	<u>\$ (30)</u>	<u>\$ -</u>	<u>\$ 20,477,499</u>

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

Governmental activities:	
General government	\$ 66,520
Public safety	295,592
Physical environment	107,054
Culture and recreation	147,039
Total depreciation expense - governmental activities	<u>\$ 616,205</u>
Business-type activities:	
Water and sewer	\$ 711,240
Airport	270,599
Solid waste	112,578
Total depreciation & amortization expense – business-type activities	<u>\$ 1,094,417</u>

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

At September 30, 2009 the City had the following outstanding construction commitments in business-type activities.

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to September 30, 2009</u>	<u>Commitment</u>
<b>Water and Sewer Fund</b>			
Wastewater Treatment Plant Improvement	\$ 241,000	\$ 175,730	\$ 65,270
Water line extension	146,694	12,740	133,954
U.S. 27 North widening	150,000	42,793	107,207
	<u>\$ 537,694</u>	<u>\$ 231,263</u>	<u>\$ 306,431</u>
<b>Airport Fund</b>			
Airport drainage	\$ 2,577,182	\$ 215,078	\$ 2,362,104
Corporate Hangar B	250,000	18,005	231,995
	<u>\$ 2,827,182</u>	<u>\$ 233,083</u>	<u>\$ 2,594,099</u>

At September 30, 2009, the City had the following outstanding construction commitments in governmental type activities:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to September 30, 2009</u>	<u>Commitment</u>
Aline McWhite Restrooms	\$ 46,640	\$ 17,545	\$ 29,095
Memorial Field Concession	112,000	100	111,900
TEA21 Streetscape	405,000	359,234	45,766
CDBG - Museum Avenue	750,000	729,867	20,133
Durrah Martin Irrigation	33,737	2,000	31,737
	<u>\$ 1,347,377</u>	<u>\$ 1,108,746</u>	<u>\$ 238,631</u>

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2009, is as follows:

	<b>Beginning October 1, 2008, as restated</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance September 30, 2009</b>	<b>Due Within One Year</b>
<b><u>Governmental activities</u></b>					
Notes payable	\$ 1,560,510	\$ -	\$ 189,144	\$ 1,371,366	\$ 202,501
Compensated absences	416,240	253,550	311,220	358,570	311,000
Governmental activity Long-term liabilities	<u>\$ 1,976,750</u>	<u>\$ 253,550</u>	<u>\$ 500,364</u>	<u>\$ 1,729,936</u>	<u>\$ 513,501</u>
<b><u>Business-type activities</u></b>					
Notes payable	\$ 1,145,062	\$ 2,163	\$ 350,603	\$ 796,622	\$ 389,062
Revenue bond	4,040,000	-	455,000	3,585,000	465,000
Landfill closure	778,231	13,286	-	791,517	26,460
Deferred revenue	451,130	-	45,000	406,130	45,000
Compensated absences	183,679	87,035	167,569	103,144	83,110
Business-type activity Long-term liabilities	<u>\$ 6,598,102</u>	<u>\$ 102,484</u>	<u>\$ 1,018,172</u>	<u>\$ 5,682,413</u>	<u>\$ 1,008,632</u>

The following notes payable and revenue bonds payable were outstanding at September 30, 2009:

**Governmental Activities Notes Payable:**

<p>\$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.</p>	\$ 1,185,000
<p>\$376,000 with a fixed interest rate equal to 4.4%, 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.</p>	186,366
<p>Total Governmental Activities Notes Payable</p>	<p><u>\$ 1,371,366</u></p>

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

**Business-Type Activities Notes Payable:**

<p>\$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.</p>	195,517
<p>\$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.</p>	280,783
<p>\$179,932 with a fixed interest rate equal to 4.4% dated January 22, 2007, with a final payment due January 22, 2012. Proceeds are used for the purchase of Refuse Truck. Beginning February 22, 2007 payments are due in monthly installments of \$3,352 including interest, until maturity date, secured by revenues from the solid waste fund.</p>	88,971
<p>\$188,908 with a fixed interest rate equal to 4.740% dated November 5, 2007, with a final payment due November 5, 2012. Proceeds are used for the purchase of a 2008 Side Loader Refuse Truck. Beginning December 5, 2007, payments are due in monthly installments of \$3,543 including interest, until maturity date, secured by a revenue certificate from the solid waste fund.</p>	124,765
<p>\$104,424 with a fixed interest rate equal to 2.07% dated November 6, 2006. The current balance of this State Revolving Fund loan was used to perform a study to determine the feasibility of expanding and upgrading the Wastewater Treatment Plant. Potential draws total \$802,837; however, the City has made the decision not to expand the plant at this time. Interest is capitalized until repayment begins. Repayment of draws is semiannual for 20 years beginning March 15, 2010.</p>	106,586
<p>Total Business-type Activities Notes Payable</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 796,622</p>

**Business-type Activities Revenue Bond:**

<p>\$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.</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 3,585,000</p>
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**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

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

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 202,501	\$ 64,506	\$ 854,062	\$ 147,139
2011	211,037	54,594	592,812	117,781
2012	162,853	45,008	585,381	98,029
2013	145,000	37,750	554,122	78,361
2014	150,000	30,188	546,675	58,775
2015 - 2019	500,000	40,163	1,183,741	69,038
2020 - 2024	-	-	64,829	3,213
2025 - 2029	-	-	-	-
2030 - 2034	-	-	-	-
	<b>\$ 1,371,366</b>	<b>\$ 272,208</b>	<b>\$ 4,381,622</b>	<b>\$ 572,336</b>

**Synopsis of Loan Covenants - Water and Sewer Refunding Revenue Bond**

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

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

During the year the City met the Sinking Fund and rate covenant requirements described in the preceding paragraphs.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

The City owns and operates a landfill for yard trash as part of its solid waste operation. The solid waste operation of the City is accounted for in the Solid Waste Enterprise Fund.

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 \$791,517 as of September 30, 2009, which is based on an estimated 68 percent usage (filled) of the landfill. It is estimated that an additional liability of \$372,000 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 (2014). The estimated total current cost of the landfill closure and postclosure care (\$1,164,000) 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, 2009. 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, 2009, the City has escrowed \$370,199 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.

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

The City of Avon Park does not offer a postemployment benefit plan to its employees. However, Florida State 112.0801 requires that public employers offer health insurance benefits at the current group rates to retirees (at their own expense) from the date of retirement. This requirement creates an implicit rate subsidy that falls under the requirements of GASB43 and 45. The City of Avon Park is a phase 3 government as defined by GASB43, and as such is required to implement this statement for periods beginning after December 15, 2008 (fiscal year 2010). In anticipation of this requirement, the City of Avon Park will contract in fiscal year 2010 for an actuarial valuation of the potential annual liability related to the retiree health insurance continuation requirement.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**(8) Risk Management:**

**Risk Pool**

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

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

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

Individual interfund receivable and payable balances at September 30, 2009 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Airport Fund	\$ 210,864
Solid Waste Fund	Water and Sewer Fund	993,657
Solid Waste Fund	Airport Fund	57,146
Fiduciary funds	General Fund	22,675
		<u>\$ 1,284,342</u>

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

**(10) Transfers:**

Transfers during the year ended September 30, 2009 consisted of the following:

	<u>General Fund</u>	<u>Airport</u>	<u>Transfer In: Water and Sewer</u>	<u>CRA Funds</u>	<u>CDBG Fund</u>
<b>Transfers From:</b>					
General Fund	\$ -	\$ -	\$ -	\$ 167,258	\$ -
Infrastructure	-	-	85,743	-	-
CRA Funds	127,582	55,786	-	-	50,694
Solid Waste Fund	50,000	-	-	-	-
	<u>\$ 177,582</u>	<u>\$ 55,786</u>	<u>\$ 85,743</u>	<u>\$ 167,258</u>	<u>\$ 50,694</u>

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

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

(11) **Fund Equity:**

Reservations of fund balances at September 30, 2009 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.

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

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

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

**Plan Description**

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

**Firefighters' Retirement System (FFRS)**

**Plan Description**

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

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

**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 2009 funding purposes, is limited by state statutes on the amount of the state contribution that can be credited toward the annual required contribution. Administrative costs for each plan are financed through investment earnings. Information related to contributions for the year ended September 30, 2009 is as follows:

	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>
Contribution rates: City and State	17.6%	15.0%
Plan members	5.0%	5.0%
Annual pension cost	\$184,440	\$113,415
Contributions made	\$216,425	\$140,668
Actuarial valuation date	10/1/2006	10/1/2006
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level % of pay, closed
Remaining amortization period	20 years	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 *	6.5%	6.0%
* Includes inflation at	3.0%	3.0%
Post retirement cost of living adjustments	3.0%	3.0%

	<u>Year Ended September 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Police Officers' Retirement System	2008	184,440	117%	(106,176)
	2007	127,011	144%	(76,342)
	2006	156,319	113%	(20,633)
Firefighters' Retirement System	2008	113,415	124%	(65,028)
	2007	96,550	107%	(38,194)
	2006	83,010	111%	(31,537)

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

**Funding Policy and Annual Pension Cost**

The funded status of each plan as of September 30, 2009, the most recent actuarial valuation date (October 1, 2008), is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
Fire	\$ 3,370,070	\$ 4,129,874	\$ 759,804	81.60%	\$ 738,078	102.94%
Police	5,101,456	4,939,141	(162,315)	103.29	1,041,764	(15.58)

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

**Significant Accounting Policies**

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

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

(c) **Contribution Requirements and Contributions Made**—Florida Legislature, City Commission and each Pension Board govern the City and employee contribution requirements for both plans. The City’s contribution to the plans is an actuarially determined periodic amount that increases gradually over time so that sufficient assets will be available to pay benefits when due. The employees’ contributions to the Firefighters’ Retirement Trust Fund and Police Officers’ Retirement Trust Fund were each 5.0% for the fiscal year 2009.

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

The City receives contributions from the state for the Firefighters’ and Police Officers’ Retirement plans. The City recognized \$100,537 in revenue and related expense in the general fund.

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

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

The actuarially determined net pension assets for the plans at the end of 2008 are approximately as follows:

Firefighters' Retirement System	\$	65,028
Police Officers' Retirement System		106,176
		171,204
	\$	171,204

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

**Florida Retirement System (FRS)**

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

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

The Pension Plan provides 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 one or more years of service. Retirement benefits are based upon employee's account balance. 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 percent are 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, 2009, 2008, and 2007, were \$57,128, \$65,681, and \$74,484, 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, 2009**

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

**Defined Contribution Plan**

**Plan Description and Contribution Requirements**—The City provides pension benefits through a defined contribution plan for all full-time employees hired after December 31, 1995 who are not covered by either the Police Officer's Retirement System or the Firefighters' Retirement System. This plan is administered by the Florida Municipal Pension Trust Fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who are at least 18 years of age and have six months of service are eligible to participate in the plan. The resolution adopting the plan requires that the City contribute an amount equal to 9.85 percent of the employee's salary each month. The City Council by ordinance maintains the authority to establish new and amend existing benefit provisions of the plan and contribution requirements.

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

The City's payroll for the year ended September 30, 2009 for eligible employees participating in the plan was \$1,474,167. The City's total payroll for all employees was \$3,993,493.

As of September 30, 2009, the City's contributions to the plan were \$145,206 on behalf of the 56 employees participating. The total required and voluntary employee contributions to the plan amounted to \$38,092.

(13) **Deficits:**

The Airport Fund has an unrestricted net assets deficit of \$698,862 at September 30, 2009. This deficit is primarily due to investment by the City in the airport's capital assets, and operating expenses exceeding operating revenues.

The Water and Sewer Fund has an unrestricted net assets deficit of \$1,306,827 at September 30, 2009. This deficit is primarily due to investment by the City in the Waste 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.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

(14) **Leases:**

The City is the lessor of various types of industrial buildings and hangars at the airport over periods ranging from month to month to ten years. All of the City's leases are classified as operating leases. For the year ended September 30, 2009 the city received rent revenue from operating leases of \$173,930.

The following is a schedule by years of minimum future rent revenues from non-cancelable operating leases as of September 30, 2009:

<b>Year Ending September 30</b>	<b>Amount</b>
2009	\$ 94,596
2010	94,596
2011	83,040
2012	83,040
2013	83,040
2014 - 2018	23,040
Total future minimum rentals	\$ 461,352

At September 30, 2009 the value of buildings held for leasing was as follows:

Buildings and hangars	
Cost	\$ 3,513,711
Accumulated depreciation	(907,881)
Net book value	\$ 2,605,829

The City has entered into a lease with a tenant on October 1, 2003 which expires on September 30, 2013, unless extended. The City has granted three options to renew for additional terms of 10 years each. The City also agreed to allow tenant to offset against rent due by 100% of the general improvements and 65% of the tenant use specific improvements made to the premises during the first ten (10) year lease term, including cost of engineering and financing. Said improvements, engineering and financing shall be prorated over the initial ten year term of the lease, but shall offset not more than \$45,000 of the rent per year. If tenant is unable to recoup its investments during the initial term, this offset shall continue into successive option terms, if said options are exercised. Any rental reduction for tenant specific improvements will not begin until the second term. To date \$615,776, \$152,426, and \$208,000 of general improvements, tenant specific improvements, and financing costs, respectively, were available for rental offsets in the future. At September 30, 2009, \$706,202 is reported in the Airport fund as deferred revenue in connection with the rental offsets available to use in the future by the tenant.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**(15) Prior Year Restatements:**

In 2009, management determined that certain Airport capital improvements and a related liability were understated. In addition, accumulated depreciation related to the capital improvement was also understated. The effect of this prior period adjustment was to decrease net assets by \$304,014, increase liabilities by \$660,823 and increase capital assets, net of accumulated depreciation by \$356,809.

The impact of these restatements on fund financial statements and government-wide financial statements is as follows:

	<u>Airport Fund</u>	<u>Business- Type Activities</u>
Net Assets originally reported – September 30, 2008	\$ 7,149,923	\$ 15,266,920
Additional capital improvements	422,993	422,993
Accumulated depreciation thru September 30, 2008	(66,184)	(66,184)
Additional deferred revenue	<u>(660,823)</u>	<u>(660,823)</u>
Restated net assets – September 30, 2008	<u>\$ 6,845,909</u>	<u>\$ 14,962,906</u>



***A happy gathering at the Verona Hotel in 1893.  
It was said to be Thanksgiving dinner held by the Crosby's.  
Everyone in town was invited.***

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**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF PENSION FUNDING PROGRESS  
SEPTEMBER 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age Normal (b)	Unfunded AAL (uaal) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll ((b- a)/c)
<b>Firefighters' Retirement Trust</b>						
10/01/02	2,190,083	2,190,083	-	100.00%	485,591	0.00%
10/01/03	2,281,673	2,281,673	-	100.00%	547,028	0.00%
10/01/04	2,363,295	2,601,933	238,638	90.83%	617,694	38.63%
10/01/05	2,559,504	3,138,324	578,820	81.56%	608,202	95.17%
10/01/06	2,798,112	3,464,093	665,981	80.77%	660,315	100.86%
10/01/07	3,131,140	3,784,277	653,137	82.74%	690,352	94.61%
10/01/08	3,370,070	4,129,874	759,804	81.60%	738,078	102.94%
<b>Police Officers' Retirement Trust</b>						
10/01/02	3,064,373	3,064,373	-	100.00%	939,029	0.00%
10/01/03	3,307,546	3,307,546	-	100.00%	969,387	0.00%
10/01/04	3,543,135	3,543,135	-	100.00%	994,853	0.00%
10/01/05	3,916,363	3,916,363	-	100.00%	953,822	0.00%
10/01/06	4,416,529	4,416,529	-	100.00%	976,594	0.00%
10/01/07	4,939,711	4,519,021	(420,689)	109.31%	1,051,409	-40.01%
10/01/08	5,101,456	4,939,141	(162,315)	103.29%	1,041,764	-15.58%

**CITY OF AVON PARK, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND  
 OTHER CONTRIBUTING ENTITIES  
 SEPTEMBER 30, 2009**

**Firefighters' Retirement System:**

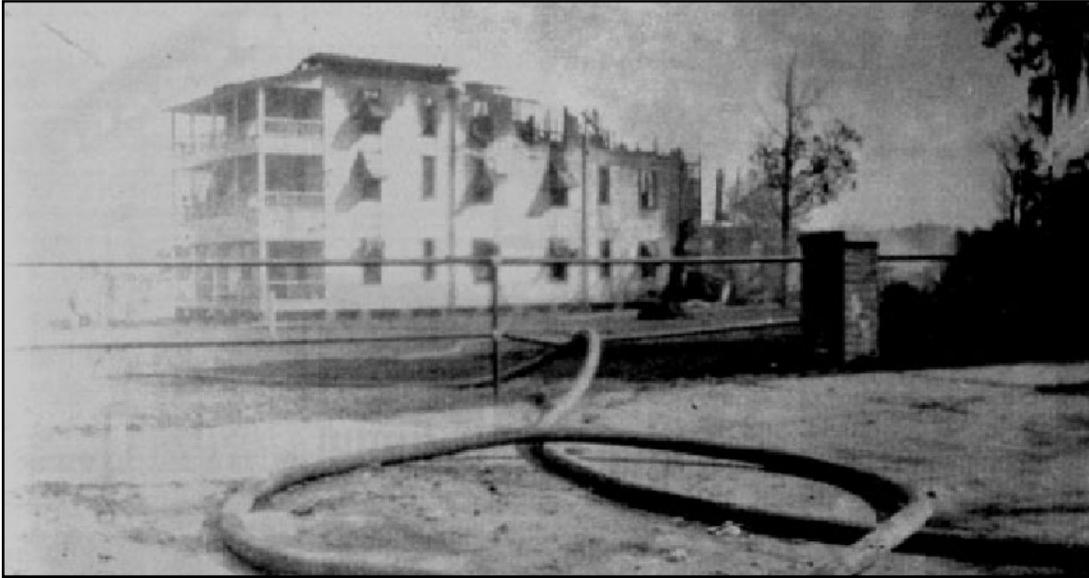
<b>Year Ended September 30</b>	<b>Annual Required Contributions</b>	<b>City Actual Contribution</b>	<b>State Actual Contribution*</b>	<b>Percentage Contributed</b>
2002	35,335	25,359	29,779	156%
2003	59,444	30,690	29,779	102%
2004	75,396	45,617	29,779	100%
2005	112,120	98,172	36,339	120%
2006	120,684	92,402	37,674	108%
2007	134,224	103,553	37,674	105%
2008	151,089	140,668	37,674	118%
2009	156,122	118,448	37,674	100%

\* Frozen at \$37,674 per Chapter 175, Florida Statutes, as amended

**Police Officers' Retirement System:**

<b>Year Ended September 30</b>	<b>Annual Required Contributions</b>	<b>City Actual Contribution</b>	<b>State Actual Contribution**</b>	<b>Percentage Contributed</b>
2002	140,527	98,237	42,290	100%
2003	151,066	108,776	42,290	100%
2004	182,820	140,531	42,290	100%
2005	201,822	159,532	42,290	100%
2006	215,976	176,952	59,657	110%
2007	186,668	183,301	59,657	130%
2008	244,097	216,425	59,657	113%
2009	201,391	143,488	57,903	100%

\*\* Frozen at \$59,657 per Chapter 185, Florida Statutes, as amended



***Verona/Avon Hotel fire of February 1927.***

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## **CRA FUNDS**

**FOLLOWING IS A SCHEDULE OF DEPOSITS AND WITHDRAWALS AS REQUIRED BY SECTION 163.387(8), FLORIDA STATUTES. THIS SCHEDULE PROVIDES A SOURCE FOR ALL DEPOSITS AND A PURPOSE FOR ALL WITHDRAWALS AS PRESCRIBED FOR EACH CRA DISTRICT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009.**

**CITY OF AVON PARK, FLORIDA  
COMBINING SCHEDULE OF DEPOSITS AND WITHDRAWALS  
CRA FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Community Redevelopment Agency - Main Street Fund</b>	<b>Community Redevelopment Agency - South Side Fund</b>	<b>Community Redevelopment Agency - Airport Fund</b>	<b>Total CRA Funds</b>
<b>Revenues</b>				
Tax Increment Revenues:				
Avon Park	\$ 98,067	\$ 45,224	\$ 23,967	\$ 167,258
Highlands County	118,365	52,763	28,984	200,112
Investment income	321	131	144	596
Fines and forfeitures	596	-	-	596
Total revenues	<u>217,349</u>	<u>98,118</u>	<u>53,095</u>	<u>368,562</u>
<b>Expenditures</b>				
Personal services	2,776	4,197	15,485	22,458
Professional services	6,496	4,072	4,773	15,341
Miscellaneous	12,833	11,364	6,475	30,672
Repairs and maintenance	4,772	-	-	4,772
Grants and subsidies	5,078	101,847	11,200	118,125
Transfers to other funds	136,276	42,000	55,786	234,062
Total expenditures	<u>168,231</u>	<u>163,480</u>	<u>93,719</u>	<u>425,430</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>49,118</u>	<u>(65,362)</u>	<u>(40,624)</u>	<u>(56,868)</u>
<b>Fund balances, beginning of year</b>	244,776	118,818	137,383	500,977
<b>Fund balances, end of year</b>	<u>\$ 293,894</u>	<u>\$ 53,456</u>	<u>\$ 96,759</u>	<u>\$ 444,109</u>

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



***The First Fruit pickers before 1910 used baskets***

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***Verona Hotel Bandstand***



***The Bandstand was relocated to the Mall in 1912.***



***The Band.***

## 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>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	73 - 78
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	79 – 82
<b>Debt Capacity</b> 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.	83 – 85
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	86 – 87
<b>Operating Information</b> 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.	88 – 90

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  
Net Asset by Component  
**TABLE 1**  
Last Six Fiscal Years  
(accrual basis of accounting)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 3,952,507	\$ 3,348,231	\$ 4,525,250	\$ 6,882,006	\$ 6,939,276	\$ 7,975,124
Restricted	1,307,867	1,087,382	738,326	581,465	2,666,359	2,893,280
Unrestricted	1,493,764	3,180,448	3,138,896	2,025,269	364,102	1,023,385
<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>	<u>\$ 9,969,737</u>	<u>\$ 11,891,789</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	\$ 15,258,264	\$ 16,251,607
Restricted	-	-	33,222	196,897	1,452,902	1,568,973
Unrestricted	1,703,160	1,237,761	226,135	(130,410)	(1,444,248)	(1,611,442)
<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>	<u>\$ 15,266,918</u>	<u>\$ 16,209,138</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	\$ 22,197,540	\$ 24,226,731
Restricted	1,307,867	1,087,382	771,548	778,362	4,119,261	4,462,253
Unrestricted	3,196,924	4,418,209	3,365,031	1,894,859	(1,080,146)	(588,057)
<b>Total primary government net assets</b>	<u>\$ 16,380,973</u>	<u>\$ 18,001,730</u>	<u>\$ 19,489,773</u>	<u>\$ 23,442,357</u>	<u>\$ 25,236,655</u>	<u>\$ 28,100,927</u>

Note: GASB 34 implemented in year 2004. Information prior to that year is not available.

**City of Avon Park**  
**Net Asset by Component**  
**Table 2**  
**Last Six Fiscal Years**  
**(accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Expenses</b>						
Governmental activities						
General government	\$ 1,067,760	\$ 1,412,143	\$ 696,838	\$ 839,227	\$ 839,831	\$ 635,939
Public Safety	3,593,563	3,699,731	4,113,474	4,425,156	4,413,416	3,449,934
Highways and streets	479,592	536,904	617,352	655,262	671,528	601,986
Economic development	-	732,136	77,400	253,856	167,557	208,495
Culture and recreation	658,053	32,858	899,661	880,605	803,476	682,083
Interest on long-term debt	95,172	94,974	84,037	83,058	82,976	73,011
Total governmental activities expenses	<b>5,894,140</b>	<b>6,508,746</b>	<b>6,488,762</b>	<b>7,137,164</b>	<b>6,978,784</b>	<b>5,651,448</b>
Business-type activities:						
Water/Sewer	2,752,836	2,756,078	2,944,524	3,139,165	3,249,266	2,879,831
Airport	287,579	618,533	477,787	421,861	669,003	578,119
Solid Waste	1,058,188	1,257,198	1,183,211	1,240,404	1,226,273	1,132,480
Total business-type activities expenses	<b>4,098,603</b>	<b>4,631,809</b>	<b>4,605,522</b>	<b>4,801,430</b>	<b>5,144,542</b>	<b>4,590,430</b>
Total primary government expenses	<b>\$9,992,743</b>	<b>\$11,140,555</b>	<b>\$ 11,094,284</b>	<b>\$ 11,938,594</b>	<b>\$ 11,569,214</b>	<b>\$ 10,241,878</b>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 16,371	\$ 11,660	\$ 82,977	\$ 8,325	\$ 14,591	\$ 15,187
Public Safety	739,805	760,837	778,784	979,019	984,644	1,046,369
Physical environment	414,368	53,598	41,763	62,609	65,809	42,480
Culture and recreation	32,373	37,720	41,941	50,470	60,683	44,434
Other activities	-	-	5,000	-	-	-
Operating grants and contributions	599,777	868,975	390,049	568,588	541,911	580,802
Capital grants and contributions	383,247	182,119	432,888	640,221	208,786	1,086,493
Total governmental activities program revenues	<b>2,185,941</b>	<b>1,914,909</b>	<b>1,773,402</b>	<b>2,309,232</b>	<b>1,876,424</b>	<b>2,815,765</b>
Business-type activities:						
Charges for services:						
Water/Sewer	2,675,627	2,831,844	3,273,880	3,672,544	3,294,960	3,401,255
Airport	183,507	194,709	285,978	222,695	340,169	209,192
Solid Waste	1,162,145	1,345,082	1,383,152	1,408,396	1,396,364	1,378,084
Operating grants and contributions	24,975	96,728	-	-	-	-
Capital grants and contributions	370,065	299,334	506,962	2,346,747	1,200,727	693,950
Total business-type activities program revenues	<b>4,416,319</b>	<b>4,767,697</b>	<b>5,449,972</b>	<b>7,650,382</b>	<b>6,232,220</b>	<b>5,682,481</b>
Total primary government program revenues	<b>\$ 6,602,260</b>	<b>\$ 6,682,606</b>	<b>\$ 7,223,374</b>	<b>\$ 9,959,614</b>	<b>\$ 8,108,644</b>	<b>\$ 8,498,246</b>

(continued)

**City of Avon Park**  
**Net Asset by Component**  
**Table 2**  
**Last Six Fiscal Years**  
**(accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net(expenses)/revenue:						
Governmental activities	\$ (3,708,199)	\$ (4,593,837)	\$ (4,715,360)	\$ (4,827,932)	\$ (5,102,360)	\$ (2,835,683)
Business-type activities	317,716	135,888	844,450	2,848,952	1,087,678	1,092,051
Total primary government net expenses	<u>\$ (3,390,483)</u>	<u>\$ (4,457,949)</u>	<u>\$ (3,870,910)</u>	<u>\$ (1,978,980)</u>	<u>\$ (4,014,682)</u>	<u>\$ (1,743,632)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities						
Taxes						
Property taxes	\$ 1,170,357	\$ 1,294,265	\$ 1,392,361	\$ 1,763,855	\$ 1,648,599	\$ 1,556,117
Sales taxes	802,563	872,168	984,435	914,793	805,855	705,949
Services taxes	314,991	338,835	351,368	355,120	342,411	295,172
Franchise taxes	393,308	439,844	512,342	532,044	516,410	583,896
Utility taxes	535,688	566,589	600,294	625,394	620,803	651,671
Insurance Proceeds	-	437,687	-	-	-	-
Unrestricted intergovernmental revenue	814,231	1,271,508	1,334,717	1,275,182	1,113,046	991,412
Gain (Loss) on Sale of Capital Assets	4,044	-	474	7,499	-	-
Investment earnings	16,028	69,037	115,388	124,509	134,938	(5,204)
Miscellaneous	12,292	5,329	6,822	29,244	82,966	70,251
Transfers	107,506	160,508	203,570	82,399	50,000	(91,529)
Total governmental activities	<u>4,171,008</u>	<u>5,455,770</u>	<u>5,501,771</u>	<u>5,710,039</u>	<u>5,315,028</u>	<u>4,757,735</u>
Business-type activities:						
Insurance Proceeds	-	758,683	-	-	-	-
Investment earnings	45,974	33,246	60,752	112,783	56,056	(25,412)
Gain (Loss) on Sale of Capital Assets	-	(8,475)	-	(13,020)	-	-
Miscellaneous	-	-	-	-	162,097	88,064
Transfers	(107,506)	(160,508)	(203,570)	(82,399)	(50,000)	91,529
Total business-type activities	<u>(61,532)</u>	<u>622,946</u>	<u>(142,818)</u>	<u>17,364</u>	<u>168,153</u>	<u>154,181</u>
Total primary government	<u>\$ 4,109,476</u>	<u>\$ 6,078,716</u>	<u>\$ 5,358,953</u>	<u>\$ 5,727,403</u>	<u>\$ 5,483,181</u>	<u>\$ 4,911,916</u>
<b>Change in Net Assets</b>						
Governmental activities	462,809	861,933	786,411	882,107	212,668	1,922,052
Business-type activities	256,184	758,834	701,632	2,866,316	1,255,831	1,246,232
Total primary government	<u>\$ 718,993</u>	<u>\$ 1,620,767</u>	<u>\$ 1,488,043</u>	<u>\$ 3,748,423</u>	<u>\$ 1,468,499</u>	<u>\$ 3,168,284</u>

Note: GASB 34 implemented in year 2004. Information prior to that year is not available.

**City of Avon Park**  
**Governmental Activities Tax Revenues by Source**  
**TABLE 3**  
**Last Six 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>State Shared Revenues</b>	<b>Total</b>
<b>2004</b>	\$ 1,170,357	\$ 802,563	\$ 314,991	\$ 393,308	\$ 535,688	\$ 814,231	\$ <b>4,031,138</b>
<b>2005</b>	1,294,265	872,168	338,835	439,844	566,589	1,271,508	<b>4,783,209</b>
<b>2006</b>	1,392,361	984,435	351,368	512,342	600,294	1,334,717	<b>5,175,517</b>
<b>2007</b>	1,763,855	914,793	355,120	532,043	625,393	1,275,184	<b>5,466,388</b>
<b>2008</b>	1,648,599	805,855	342,411	516,410	620,803	1,113,046	<b>5,047,124</b>
<b>2009</b>	1,556,117	705,949	295,172	583,896	651,671	991,412	<b>4,784,217</b>

Note: GASB 34 implemented in year 2004. Information prior to that year is not available.

City of Avon Park  
Fund Balances of Governmental Funds  
TABLE 4  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>General fund</b>										
Reserved	\$ 16,305	\$ 92,853	\$ 2,317,005	\$ 1,849,342	\$ 1,344,040	\$ 1,130,111	\$ 783,880	\$ 1,185,340	\$ 413,604	\$ 409,514
Unreserved	1,051,475	1,174,974	1,249,015	1,247,639	1,224,309	1,574,061	1,590,879	391,354	652,601	1,148,989
Total general fund	\$ 1,067,780	\$ 1,267,827	\$ 3,566,020	\$ 3,096,981	\$ 2,568,349	\$ 2,704,172	\$ 2,374,759	\$ 1,576,694	\$ 1,066,205	\$ 1,558,503
<b>All other governmental funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,024,903	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	1,818,025	1,784,278	1,115,347	650,481	724,678	1,108,154	1,488,830	1,137,442	2,698,366	2,874,157
Total all other governmental funds	\$ 1,818,025	\$ 1,784,278	\$ 1,115,347	\$ 650,481	\$ 724,678	\$ 1,108,154	\$ 1,488,830	\$ 2,162,345	\$ 2,698,366	\$ 2,874,157

Note: In 2002 Reserved Fund Balance in the General Fund increased due to The City obtained a revenue bond for street improvements.  
In 2007 Reserved other governmental fund balance increased due to long-term interfund loans.

**City of Avon Park**  
**Changes in Fund Balances of Governmental Funds**  
**TABLE 5**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Taxes	\$3,080,822	\$3,496,097	\$3,254,993	\$3,299,667	\$3,457,681	\$3,758,858	\$4,094,606	\$4,571,047	\$4,175,151	\$4,041,059
Licenses and permits	62,914	53,732	58,660	66,355	59,865	91,069	38,747	51,213	37,271	63,355
Intergovernmental	984,353	1,049,858	1,192,898	1,334,331	1,960,225	2,129,723	1,958,848	2,306,341	1,627,541	2,435,629
Charges for services	32,021	25,039	378,522	379,158	541,209	562,775	645,419	844,293	845,875	899,163
Fines and forfeitures	128,690	126,353	141,944	155,682	146,474	120,461	112,871	105,174	148,272	109,485
Investment earnings	179,976	163,813	122,396	52,803	15,834	68,674	114,904	124,139	134,627	(5,204)
Miscellaneous	75,074	98,526	110,298	109,951	68,155	40,934	44,079	74,903	123,189	125,844
Total revenues	4,543,850	5,013,418	5,259,711	5,397,947	6,249,443	6,772,494	6,999,474	8,077,110	7,091,926	7,669,331
<b>Expenditures</b>										
General government	563,305	600,930	533,459	499,953	1,005,279	1,349,765	637,430	794,233	708,914	649,057
Public Safety	2,502,206	2,742,127	2,780,003	3,073,836	3,377,825	3,424,835	3,826,250	4,131,301	4,272,451	3,290,335
Physical Environment	254,189	325,858	355,575	339,063	448,819	480,267	527,964	567,461	573,661	516,289
Economic Environment	21,747	-	-	-	-	32,858	774,191	738,344	167,557	542,244
Culture and recreation	414,054	383,736	452,427	494,477	558,166	626,207	77,400	394,094	665,805	208,495
Capital outlay	812,591	1,075,896	1,263,769	1,644,272	1,181,435	705,812	1,155,780	1,968,768	663,041	1,438,569
Debt service	-	19,903	115,411	224,456	125,372	593,268	138,821	190,005	200,601	189,109
Principal	-	-	-	-	96,524	96,706	86,074	84,770	83,766	75,615
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	4,568,092	5,148,450	5,500,644	6,276,057	6,793,420	7,309,718	7,223,910	8,868,976	7,335,796	6,909,713
Excess of revenues over (under) expenditures	(24,242)	(135,032)	(240,933)	(878,110)	(543,977)	(537,224)	(224,436)	(791,866)	(243,870)	759,618
<b>Other financing sources(uses)</b>										
Transfers in	226,882	219,622	248,320	273,000	298,000	265,000	326,144	238,556	279,915	395,534
Transfer in component units	-	-	-	-	-	-	-	-	-	-
Transfers Out	(7,260)	(139,290)	(419,958)	(328,795)	(207,495)	(104,492)	(122,574)	(156,157)	(229,915)	(487,063)
Insurance Proceeds	-	-	-	-	-	437,687	72,129	376,900	60,938	-
Proceeds from the issuance of debt	-	221,000	2,041,833	-	461,221	-	-	-	-	-
Total other financing sources (uses)	219,622	301,332	1,870,195	(55,795)	90,505	1,059,416	275,699	459,299	110,938	(91,529)
<b>Net change in fund balances</b>	<b>\$195,380</b>	<b>\$166,300</b>	<b>\$1,629,262</b>	<b>(\$933,905)</b>	<b>(\$453,472)</b>	<b>\$522,192</b>	<b>\$51,263</b>	<b>(\$332,567)</b>	<b>(\$132,932)</b>	<b>\$668,089</b>
<b>Debt service as a percentage of noncapital expenditures</b>	0.00%	0.49%	2.72%	4.85%	3.95%	10.45%	3.71%	3.98%	4.26%	4.84%

**City of Avon Park**  
**Assessed Value and Estimated Actual Value if Taxable Property**  
**TABLE 6**  
**Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	Less:		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
			Tax Exempt Real Property	Real Property				
2000	\$200,249,363	\$39,816,030	\$91,460,733		\$148,604,660	9.00	\$300,081,741	49.52%
2001	202,754,087	40,078,850	91,364,437		151,468,500	8.25	303,541,171	49.90%
2002	210,657,942	40,152,220	95,157,916		155,652,246	7.75	313,512,703	49.65%
2003	221,312,436	37,715,940	102,038,486		156,989,890	7.75	323,785,470	48.49%
2004	244,261,214	38,569,160	114,676,590		168,153,784	7.75	353,537,968	47.56%
2005	276,913,839	37,009,640	131,080,240		182,843,239	7.75	392,404,349	46.60%
2006	344,367,099	37,738,400	161,529,697		220,575,802	7.50	477,631,874	46.18%
2007	421,242,113	39,021,780	192,399,656		267,864,237	7.50	575,329,866	46.56%
2008	432,986,988	41,482,500	190,894,960		283,574,528	6.30	593,086,860	47.81%
2009	413,150,992	44,033,590	194,873,175		262,311,407	5.87	571,480,728	45.90%

Source: Highlands County Property Appraiser.

Note: This schedule is not separated by residential and commercial properties. The Property Appraiser's office did not have that information 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  
Property Tax Rates  
TABLE 7  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

Fiscal Year	Overlapping Rates											
	City of Avon Park			County			School District			Southwest FI		
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	South FI Water District	Southwest FI Water District	Total Direct & Overlapping Rates
2000	9.0000	-	9.0000	8.5000	-	8.5000	8.9550	-	8.9550	0.6970	0.6170	27.7690
2001	8.2500	-	8.2500	8.5000	-	8.5000	8.7280	-	8.7280	0.6970	0.6170	26.7920
2002	7.7500	-	7.7500	8.5000	-	8.5000	8.6940	-	8.6940	0.6970	0.6170	26.2580
2003	7.7500	-	7.7500	9.0000	-	9.0000	8.7660	-	8.7660	0.6970	0.6170	26.8300
2004	7.7500	-	7.7500	9.0000	-	9.0000	8.4750	-	8.4750	0.6970	0.6170	26.5390
2005	7.7500	-	7.7500	9.0000	-	9.0000	7.8850	-	7.8850	0.6970	0.6170	25.9490
2006	7.5000	-	7.5000	8.5000	-	8.5000	7.9090	-	7.9090	0.5970	0.6170	25.1230
2007	7.5000	-	7.5000	8.5000	-	8.5000	7.6640	-	8.2880	0.6240	0.5693	25.4813
2008	6.3017	-	6.3017	7.1000	-	7.1000	7.6870	-	7.6870	0.5346	0.5693	22.1926
2009	5.8745	-	5.8745	7.1000	-	7.1000	5.2640	-	5.2640	0.5346	0.0894	18.8625

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 proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

**City of Avon Park  
Principal Property Taxpayers  
TABLE 8  
Current Fiscal Year and Five Years Prior**

<b>Taxpayer</b>	<b>2005</b>			<b>2009</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Fairhaven South Inc	\$ 5,437,283	1	2.9737%	\$ 4,151,623	4	1.5827%
Avon Square LTD	4,428,548	2	2.4220%	5,067,696	2	1.9319%
Highlands Plaza Center LLC	3,301,990	3	1.8059%	3,058,519	5	1.1660%
Brookline Central Fla Co ET	1,929,028	4	1.0550%	1,804,452	10	0.6879%
Wayne C. Rickertt	1,792,021	5	0.9801%	2,229,968	8	0.8501%
Jarrett Properties LTD	1,494,499	6	0.8174%	2,484,259	7	0.9471%
Las Palmas Resort	1,252,551	7	0.6850%	-	-	-
Florida Power Corp.	1,214,010	8	0.6640%	2,137,908	9	0.8150%
Avon Park Retail 1 LLC	1,159,012	9	0.6339%	-	-	-
Wal-Mart Stores East LP	1,148,091	10	0.6279%	13,945,714	1	5.3165%
Estates of Grand Oaks LLC	-	-	-	4,589,790	3	1.7497%
Growing Tree Foundation	-	-	-	2,788,674	6	1.0631%
<b>Total</b>	<b><u>\$ 23,157,033</u></b>		<b>12.6650%</b>	<b><u>\$ 42,258,603</u></b>		<b>16.1101%</b>
<b>Total Taxable Assessed Value</b>	<b>\$ 182,843,239</b>			<b>\$ 262,311,407</b>		

Source: Highlands County Property Appraiser's Office. These Values include real property only.

Note: Information for nine years ago is not available.

**City of Avon Park**  
**Property Tax Levies and Collections**  
**TABLE 9**  
**Last Ten Fiscal Years**

<u>Fiscal Year Ended December 31</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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%
2008	1,690,625	1,622,622	95.98%	24,560	1,647,182	97.43%
2009	1,601,901	1,515,094	94.58%	38,424	1,553,518	96.98%

Source: City of Avon Park General Ledger.

Note: The amount listed under collected in subsequent years is the amount collected in the current year for any prior year (delinquent) collections.

**City of Avon Park**  
**Ratios of Outstanding Debt by Type**  
**TABLE 10**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Water Sewer Bonds	Notes Payable	Capital Leases			
2000	\$ -	\$ -	\$ -	\$ 6,036,517	\$ -	\$ -	\$ 6,036,517	2.5786%	\$ 677
2001	207,795	-	-	5,747,915	-	-	5,955,710	2.5441%	668
2002	180,485	1,910,000	-	5,634,800	-	-	7,725,285	3.3000%	866
2003	151,678	1,815,000	-	5,145,715	1,745,370	88,364	8,946,127	3.8215%	1,003
2004	121,307	1,720,000	-	5,750,000	1,957,064	127,436	9,675,807	4.1332%	1,085
2005	89,260	1,620,000	-	5,350,000	2,856,213	91,044	10,006,517	4.2745%	1,122
2006	55,439	1,515,000	-	4,920,000	2,137,415	54,802	8,682,656	3.7090%	974
2007	347,351	1,410,000	-	4,485,000	1,704,278	14,297	7,960,926	2.9004%	879
2008	260,510	1,300,000	-	4,040,000	1,215,741	-	6,816,251	2.4877%	755
2009	186,366	1,185,000	-	3,585,000	796,622	-	5,752,988	2.0476%	637

Note:

- 1 Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- 2 See Table 13 Schedule of Demographic and Economic Statistics for personal income and data.

**City of Avon Park, Florida**  
**Direct and overlapping Governmental Activities Debt**  
**TABLE 11**  
**As of September 30, 2009**

<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			
Subtotal, overlapping debt	70,335,000	12% *	<u>\$ 8,784,000</u>
Total direct and overlapping debt			<u><u>\$ 8,784,000</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 government's boundaries and dividing it by the City's total taxable assessed value.

**City of Avon Park  
Pledged-Revenue Coverage  
TABLE 12  
Last Ten Fiscal Years**

Fiscal Year	Water/Sewer Revenue Bonds				Special Assessment Bonds						
	Water/Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service	Special Assessment Collections	Debt Service		Coverage			
						Principal	Interest		Principal	Interest	
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	677,398	124,075	101.21%	677,398	98,373	304.52%
2004	2,917,358	1,744,688	1,172,670	313,600	259,800	802,563	125,372	204.51%	802,563	96,524	361.68%
2005	2,850,837	1,856,407	994,430	323,600	243,768	872,168	132,047	175.27%	872,168	90,901	391.20%
2006	3,126,583	2,026,707	1,099,876	328,600	227,167	984,435	138,821	197.90%	984,435	84,579	440.66%
2007	3,444,393	2,235,596	1,208,797	434,167	148,139	914,793	186,226	207.59%	914,793	88,549	332.92%
2008	3,390,905	2,387,145	1,003,760	445,000	137,664	805,855	200,601	172.27%	805,855	83,766	283.39%
2009	3,477,518	2,007,773	1,469,745	455,000	131,907	699,250	189,109	250.42%	699,250	75,615	264.14%

Note: 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.

Special assessments debt is Loan payable Florida Municipal Loan Council for the construction of roads, sidewalks and other infrastructure and is secured by a pledge of non-ad valorem revenues from the Infrastructure Fund.

**City of Avon Park**  
**Demographic and Economic Statistics**  
**TABLE 13**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (amounts expressed in thousands)</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>
2000	8,917	\$ 234,098	\$ 26,253	35.8	N/A	2,138	N/A
2001	8,917	234,098	26,253	35.8	N/A	2,138	N/A
2002	8,917	234,098	26,253	35.8	N/A	2,138	N/A
2003	8,917	234,098	26,253	35.8	N/A	2,138	5.70%
2004	8,917	234,098	26,253	35.8	N/A	2,138	5.70%
2005	8,917	234,098	26,253	35.8	N/A	2,138	4.00%
2006	8,917	234,098	26,253	35.8	N/A	2,138	4.00%
2007	9,056	274,478	30,309	50.6	N/A	2,138	4.00%
2008	9,030	273,997	30,343	50.5	N/A	3,949	8.30%
2009	9,033	280,962	31,104	50.0	N/A	2,894	9.00%

Note:

1 Census is taken every ten years. Amount are reflective from 1990 and 2000 census.

2 Unemployment rate is the County unemployment rate.

3 Information taken from Avon Park Chamber of Commerce

**City of Avon Park  
Principal Employers  
TABLE 14  
Current Year 2009 and 4 Prior Year**

<u>Employer</u>	<u>2009</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
South Florida Community College	440	1	12.74%	439	1	12.80%
Wal- Mart	300	2	8.68%	-		-
Highlands County School Board						
Avon Park High School	117	3	3.39%	117	3	3.41%
Avon Elementary School	91	5	2.63%	91	4	2.65%
Avon Park Middle School	88	6	2.55%	88	7	2.56%
City of Avon Park	91	4	2.63%	119	2	3.47%
Bill Jarrett Ford	78	7	2.26%	78	8	2.27%
Winn Dixie	75	8	2.17%	90	6	2.62%
Central Florida Health Care	60	9	1.74%	60	10	1.75%
Jahna Concrete	41	10	1.19%	41	11	1.19%
Publix	-		-	90	5	2.62%
Elberta Crate	-		-	69	9	2.01%
<b>Total</b>	<b><u>1,381</u></b>		<b><u>39.97%</u></b>	<b><u>1,282</u></b>		<b><u>37.35%</u></b>

Sources: Avon Park Chamber of Commerce and US Census Bureau, Census 2000

Note: Information for nine years ago is not available.

**CITY OF AVON PARK**  
**Full-time Equivalent City Government Employees by Function**  
**TABLE 15**  
**Last Eight Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General Government</b>	6	6	7	7	9	10	10	10
<b>Public Safety</b>								
Police	28	28	28	29	30	28	27	26
Civilians	11	11	11	11	11	11	11	6
<b>Fire</b>								
Firefighters and officers	16	17	17	17	17	17	18	18
Civilians	2	2	2	2	2	5	4	4
<b>Highways and Streets</b>								
Maintenance	2	2	7	7	7.5	7.5	7.5	6.5
<b>Solid Waste</b>	10	10	10	9	9.5	9.5	9.5	9.5
<b>Culture and Recreation</b>	13	13	15	15	15	17	17	17
<b>Water</b>	14	14	16	15	17	17	18	18
<b>Sewer</b>	3	3	4	4	4	4	4	6
<b>Total</b>	<b>105</b>	<b>106</b>	<b>117</b>	<b>116</b>	<b>122</b>	<b>126</b>	<b>126</b>	<b>121</b>

Source: City of Avon Park Payroll Department.

Note: Ten years of information in not available.

**City of Avon Park**  
**Operating Indicators by Function**  
**TABLE 16**  
**Last 8 Fiscal Years**

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Police</b>								
Physical arrest	1,139	1,222	1,129	946	1,021	916	583	677
Parking violations	8	20	23	31	23	20	32	30
Traffic violations	3,424	3,422	2,611	1,862	2,246	2,074	1,292	910
<b>Fire</b>								
Number of calls answered	1,044	1,035	1,093	1,075	1,119	1,101	1,138	1,328
Inspections	26	206	91	109	282	415	381	98
<b>Highways and streets</b>								
Street resurfacing (miles)	2.6	7.9	10.5	0.0	0.1	0.0	0.0	0.0
Potholes repaired	15	12,333	13,700	35,400	17,327	346	544	836
Sidewalk (miles)	27.37	27.37	27.37	27.37	27.37	27.77	27.77	27.77
<b>Sanitation</b>								
Refuse collected(tons/day)	29.80	23.96	48.64	45.74	40.01	42.00	51.24	32.34
Recyclables collected (tons/day)	0	0	0	0	0	0	0	0
<b>Community Center</b>								
Admissions	8,830	11,300	12,700	10,775	11,750	11,655	9,305	8,215
<b>Water</b>								
New connections	64	55	68	841	253	251	30	36
Water mains breaks	7	4	6	3	5	9	7	58
Average daily consumption	2,323,529	1,949,940	1,748,353	1,914,000	1,731,033	2,070,000	2,244,627	1,866,000
<b>Wastewater</b>								
Average daily sewage treatment (thousands of gallons)	702	704	679	606	581	565	539	519

Sources: Various government departments.

Note: Ten years of information is not available.

**City of Avon Park**  
**Capital Asset Statistics by Function**  
**TABLE 17**  
**Last 8 Fiscal Years**

<u>Function</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Public Safety</b>								
Police:								
Stations	1	1	1	1	1	1	1	1
Patrol Units ( vehicles)	24	24	24	24	24	33	32	32
Fire Stations	1	1	1	1	1	1	1	1
<b>Sanitation</b>								
Collection trucks	5	6	6	6	6	7	9	9
<b>Highway and streets</b>								
Streets (miles)	75.00	74.75	74.75	74.75	75.25	75.25	75.25	75.50
Streetlights	125	125	125	125	125	125	125	122
Traffic signals	5	5	5	5	5	5	5	5
<b>Culture and recreation</b>								
Parks acreage	30	30	30	30	30	30	30	30
Parks	9	9	9	9	10	10	10	10
Tennis courts	4	4	4	4	4	4	4	4
Community center	1	1	1	1	1	1	1	1
<b>Water</b>								
Water mains (miles)	45	45	45	50	50	87	89	89
Fire hydrants	313	313	313	313	313	450	451	451
Maximum daily capacity (thousands of gallons)	7,000,000	7,000,000	7,000,000	7,720,000	7,720,000	7,720,000	7,720,000	7,720,000
<b>Sewer</b>								
Sanitary sewers (miles)	31	31	31	31	35	35	37	37
Storm sewers (miles)	9.00	9.43	9.43	9.43	9.43	9.48	9.48	9.48
Maximum daily treatment capacity	1500	1500	1500	1500	1500	1500	1500	1500

Sources: Various City departments.

Note: Ten years of information is not available.



***Fruit pickers in 1950.***

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In the 1940s and on up to the early 1980s, checkers was a major league sport in Avon Park. The Checker Shelter above is located near the flagpole and veteran memorials on the Mall on Main Street. It's not exactly known when the shelter was built. Some say in the 1940s and others the 1950s. No one is sure what the shelter was built for but L.H. Ford and a man who owned Western Auto liked to play checkers; they brought some benches and a table and began playing checkers there. Eventually, two tables were set up and just about every day men gathered around to watch the checker players. In the early days, they used Coca-Cola bottle caps as checkers. Some would be turned down and some turned up.



***The Checker Shelter***



***Inside The Checker Shelter***



***These checkers are on display in the Depot Museum in Avon Park, the sign in front of the box reads, "These checkers were used on the checker board in Memorial Square on the Avon Park Mall."***

**CITY OF AVON PARK, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<u>Federal / State Agency / Pass-Through Entity / Federal Program</u>	<u>CFDA / Number</u>	<u>Contract / Grant Number</u>	<u>Grant Award Amount</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>				
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Indirect Programs:				
Pass-through from Florida Dept. of Community Affairs:				
Community Development Block Grant	14.218	06DB-3K-07-38-02-C09	\$ 750,000	\$ 633,413
<b><u>U.S. Department of Justice</u></b>				
Indirect Programs:				
Passed-through Florida Department of Law Enforcement				
Byrne Formula Grant Program	16.738	2009-DJ-BX-0518	10,342	477
Byrne Formula Grant Program	16.738	2009-SB-B9-0643	42,557	42,557
Byrne Formula Grant Program	16.738	2009-JAGD-800	1,349	1,349
Total U.S. Department of Justice			<u>54,248</u>	<u>44,383</u>
<b>Pass-through from Florida Dept. of Transportation:</b>				
Highway Planning and Construction	20.205	FM 44145271	362,479	329,071
<b>Total Federal Awards</b>			<u>\$ 1,166,727</u>	<u>\$ 1,006,867</u>

The accompanying notes to the schedule of expenditures of federal awards  
is an integral part of this schedule.

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

1. **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Avon Park, Florida, and is presented on the modified 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 Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. **Subrecipients:**

The City provided no federal awards to subrecipients for the fiscal year ended September 30, 2009.

3. **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all Project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable state laws and regulations.

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**A. Summary of Auditors' Results:**

**Financial Statements:**

- Type of audit report issued on the basic financial statements: *Unqualified.*

**Internal control over financial reporting:**

- There was four material weaknesses related to internal control over financial reporting disclosed by the audit of the basic financial statements.
- There were no significant deficiencies related to internal control over financial reporting disclosed by the audit of the basic financial statements not considered to be material weaknesses.
- The audit disclosed one instance of noncompliance.

**Federal Awards:**

**Internal control over major programs:**

- There was one material weakness related to internal control over major programs disclosed by the audit.
- There was one significant deficiency related to internal control over major programs disclosed by the audit considered to be a material weakness.
- Type of report issued on compliance for each major program: *Unqualified.*
- The audit did not disclose any audit findings, which are required to be reported under OMB Circular A-133.
- Major program identification:  
CFDA Number 14.218 – Community Development Block Grant  
CFDA Number 20.205– Highway Planning and Construction
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The City of Avon Park, Florida did not qualify as a low-risk auditee.

**B. Financial Statement Findings:**

**2009-1 Grant Administration and Reporting (Prior Year Repeat Comment)**

The City did not provide a Schedule of Federal Awards that properly summarized all required grant reporting requirements. Furthermore, the City did not properly accrue all grant revenues and the corresponding grants receivable. Consequently, material adjustments were required in order to fairly and accurately present the schedule of federal awards and the City's financial statements. We recommend the City implement processes and procedures to properly track grants received and grant expenditures and the corresponding revenues. We also recommend the City implement a system of controls to ensure that the processes and procedures properly followed and the transactions properly recorded.

***Management Response:***

***Management concurs with this finding. In prior and current year The City has been working on centralizing all projects and grants and has taken actions to improve the information obtained. There will be a reorganization of duties performed to insure that transactions, reimbursement forms, etc. relating to grants and projects will be processed properly and within a timely manner.***

**2009-2 Financial Statement Adjustments (Prior Year Repeat Comment)**

Internal control over financial reporting should be in place to ensure the City is preparing complete and accurate financial statements in accordance with accounting principles generally accepted in the United States (GAAP). A material weakness in internal control over financial reporting existed as of September 30, 2009 because material adjusting journal entries to the financial statements were required to ensure the financial statements were presented fairly in accordance with GAAP. This weakness resulted in material understatements and overstatements in various account balances and funds of the City for the year ended September 30, 2009, including prior period adjustments. Substantive testing of account balances, analytical procedures and review of the City's trial balances noted the differences and adjustments necessary. Analysis, reconciliation and adjustment of account balances should be performed to ensure accurate financial reporting which is essential in the Council's decision making process. A thorough review, analysis and reconciliation of each account should be performed during the year-end closing process. Differences identified should be analyzed and adjustments to the general ledger accounts should be made when necessary. The City is unable to complete this process due to the limited finance and accounting staff available to perform these functions. We recommend developing procedures to determine the most effective and efficient use of the time of the City's finance and accounting staff in performing the year-end close out process. Since many of the analyses, reconciliations and adjustments necessary are required each year, a list of these items should be compiled to ensure they are completed annually. Unusual account balances should be identified by the Finance Director and analyzed for proper recording.

***Management Response:***

***Management concurs with this finding. In the prior year a reorganization of the finance department with additional help was to be implemented. Due to budget constraints this reorganization will be deferred to year ending 2010. A part-time accounting manager is needed to review and process daily accounting procedures. The Finance Department has implemented checklists to be completed each month and presented to the Finance Director for verification***

**2009-3 Investment Account Activity**

During the course of our audit, we noted certain investment accounts which were not reconciled to the general ledger on a monthly basis. Investment activity should be analyzed and recorded on a monthly basis. We recommend that in the future, these accounts be reconciled on a monthly basis along with the pooled cash accounts. This process of reconciling the investment account balances to the general ledger will deter fraud and allow finance to monitor the investment balances more closely.

***Management Response:***

***Management does not agree with this finding. Accounts are reconciled monthly with the pooled cash. The money market or SBA investment accounts are recorded monthly. For the Broker's investments they are not reconciled monthly only at year end after all sales and purchases are recorded. The interest and dividends are also booked at year end. Due to the amount of transactions this is not time effective to reconcile on a monthly basis.***

**2009-4 Pooled Cash**

We proposed and management recorded adjustments to reconcile pooled cash to the bank account reconciliations. While it is not uncommon to have adjustments in this area, these adjustments did not occur until after the audit process began and significantly after year end. Properly reconciling cash in a timely manner will assist the City in a number of ways: 1) management can make more informed decisions. 2) Any errors, including fraud, will be identified and corrected timely and 3) The City has various restrictions on cash, properly reconciling will help ensure restrictions are met. We recommend the City implement control processes to ensure that cash is reconciled to the general ledger in a timely and accurate manner.

***Management Response:***

***Management does not agree with this finding. Monthly journal entries are required to the pooled cash accounts in order to record interest and transfers to and from the cash management account. These cannot be recorded automatically through our computer system. All pooled cash accounts are reconciled each month. There were a few transactions posted after year end due to year end journal entries were entered twice. Cash is reconciled with a reasonable time.***

**2009-5 Budget Adjustments**

The City's current budget adjustment policy indicates that all budget adjustments greater than \$10,000 be approved by the Council. During the course of the audit, we noted a number of budget adjustments that were greater than \$10,000 and not approved by Council. We recommend that the City place internal control processes in place to ensure that budget adjustments are approved according to policy. In addition, we recommend that Council and management review this policy to determine if this policy is written as intended.

***Management Response:***

***Management concurs with this finding. Budget adjustments for over \$10,000 are to be approved by Council. This is completed at the Council Meetings on the consent agenda. In 2009 there were two budget adjustments for the Community Redevelopment Agency which was approved by the CRA Board but was not presented to the City Council for approval. Two approval levels for the CRA adjustments are required.***

- C. **Federal Award and Findings and Questioned Costs: 2009-1** as described above
- D. **Prior Audit Findings:** The findings and recommendations made in the preceding annual financial audit report have been corrected, except for the matters reported above with references to "Prior Year Comment Repeated".
- E. **Corrective Action Plan:** See management responses above.

# JAMES MOORE & CO., P.L.

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor, City Commission, and City Manager,  
City of Avon Park, Florida:

### Compliance

We have audited the compliance of City of Avon Park, Florida, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal programs are identified in the summary of auditors' 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 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 of the City's compliance with those requirements.

In our opinion, 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item **2009-1**.

### 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. 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 in order to determine our auditing procedures for the purpose of 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.

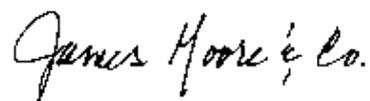
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed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

A *control deficiency* in a City'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 City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2009-1** to be a significant deficiency.

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 the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Of the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item **2009-1** to be a material weakness.

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



Daytona Beach, Florida  
March 24, 2010

# JAMES MOORE & CO., P.L.

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

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

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avon Park, Florida (the City) as of and for the year ended September 30, 2009, which collectively comprise the City of Avon Park, Florida's basic financial statements and have issued our report thereon dated March 24, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Avon Park Firefighters' Retirement System and Police Officers' Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2009-1**, **2009-2**, **2009-3** and **2009-4** to be significant deficiencies in internal control over financial reporting.

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 City'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 or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies identified above are material weaknesses.

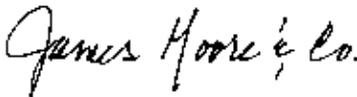
### **Compliance and Other Matters**

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 one instance 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 item **2009-5**.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the City of Avon Park, Florida in a separate letter dated March 24, 2010.

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



Daytona Beach, Florida  
March 24, 2010

# JAMES MOORE & CO., P.L.

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

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

We have audited the basic financial statements of the City of Avon Park, Florida (the City), as of and for the year ended September 30, 2009, and have issued our report thereon dated March 24, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our 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*, Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated March 24, 2010, should be considered in conjunction with this management letter. Other auditors audited the financial statements of the Avon Park Firefighters' Retirement System and Police Officers' Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

Those rules (Section 10.554(1)(i) 1.) require that we address in the management letter, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The findings and recommendations made in the preceding annual financial audit report have been corrected, except for the matters reported with references to "Prior Year Comment Repeated" in the accompanying schedule of findings and questioned costs.

As required by the Rules of the Auditor General (Section 10.554(1)(i) 2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the City of Avon Park, Florida has complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Sections 10.554(1)(i) 3. and 4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on internal control over financial reporting and on compliance and other matters: (1) recommendations to improve financial management and (2) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement

amounts that is less than material but more than inconsequential. Our audit disclosed none of these matters not already addressed in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and the accompanying schedule of findings and questioned costs.

The Rules of the Auditor General (Section 10.554(1)(i) 5.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on internal control over financial reporting and on compliance and other matters. For matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or were likely to have occurred; (2) improper or inadequate procedures (e.g., the omission of required disclosures from the annual financial statements); (3) failures to properly record financial transactions; (4) and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. The following are our recommendations to management not included in our 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*.

#### **2009-6 Federal Employment Forms**

During the audit, we observed that the Form I-9 Employment Eligibility Verification in employee personnel files are not being filled out correctly, and in some instances were incomplete. We recommend that in the future, all I-9 forms be filled out and kept according to legal requirements. We also recommend that the City review the files of those employees still employed and obtain corrected or replacement I-9s for those not available or completed incorrectly.

***Management Response:***

***Management concurs with this finding. New forms have been distributed to all employees to complete and update.***

#### **2009-7 Check Requests**

During the course of our audit, we noted certain instance where the Finance Director is authorized her own check requests. Given the significance of the Finance Director's role in processing transactions and in internal controls, we recommend that someone else within the City approve the check request.

***Management Response:***

***The Finance Director has the ability to do check requests without any prior approval. Management agrees that this policy should change. We will work on changing the policy***

#### **2009-8 Community Redevelopment Districts**

The City's community redevelopment district plans are in certain circumstances ambiguous with the types of expenditures allowed under the plan. In other circumstances, the plans are outdated as it relates to management's current plans with utilization of community redevelopment funds. Consequently, certain expenditures could be interpreted as unallowable. We recommend a comprehensive analysis of all current and future plans. Based on those plans, we recommend management modify the plans to include more specific reference to the types expenditures expected to occur within the community redevelopment districts now and in the future.

***Management Response:***

***Management concurs with this finding. A CRA Director was hired in July 2009 to work mainly with the CRA's and to update their plans. This also provides monitoring of all expenditures.***

**2009-9 New Accounting Pronouncement—GASB No. 54**

In March 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* effective for the City's fiscal year beginning October 1, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Because of the significance of the change, we recommend that management develop a plan to properly transition the City's current reporting of fund balances to the new fund balance definitions. Governmental fund balances will be summarized into the following classifications:

- Nonspendable
- Restricted fund balance
- Committed fund balance
- Assigned fund balance
- Unassigned fund balance

***Management Response:***

***Staff will prepare a transition plan to implement GASB 54.***

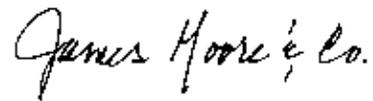
The Rules of the Auditor General (Section 10.554 (1)(i) 6.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity as defined in publications cited in Rule 10.553 be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Avon Park, Florida was created and reestablished as a municipal government when its present charter was approved by the voters at a general referendum in 1931 and by the Laws of Florida 14622 and the Act of 1929.

The Rules of the Auditor General (Section 10.554(1)(i) 7.a.), require that we comment as to whether or not one or more of the conditions described in Section 218.503(1), Florida Statutes, regarding determination of financial emergency have been met. In connection with our audit, we determined that the City of Avon Park, Florida did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. Although the City of Avon Park, Florida reported deficit unrestricted net assets of \$1,261,986 and \$982,837 in its water and sewer fund and its airport fund, respectively, as of September 30, 2009, the City of Avon Park, Florida had unreserved general fund balance and unrestricted capital assets available to cover the reported deficit and the disposal of such assets would not impair the City of Avon Park, Florida's ability to carry out its functions.

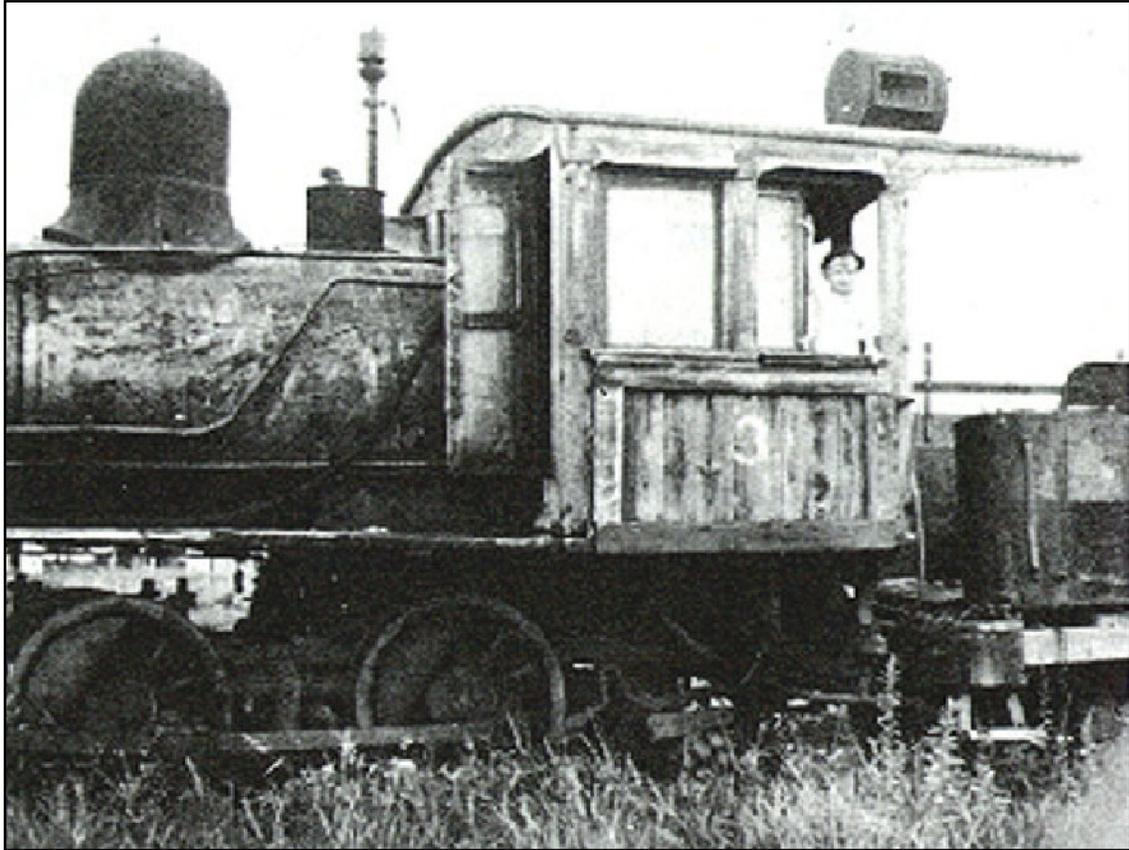
The Rules of the Auditor General (Section 10.554(1)(i) 7.b.), require that we comment as to whether or not the financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the current audit period. The financial report 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.

As required by the Rules of the Auditor General (Section 10.554(1)(i) 7.c.), the scope of our audit included application of financial condition assessment procedures pursuant to Rule 10.556(7) of the Auditor General. It is Management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

A handwritten signature in black ink that reads "James Moore & Co." in a cursive script.

Daytona Beach, Florida  
March 24, 2010



***This small engine stood on the spur line in the CrateMill section of Avon Park***

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