

CITY OF AVON PARK

Comprehensive Annual Financial Report

FISCAL YEAR ENDED SEPTEMBER 30, 2010



THE CITY OF AVON PARK
SALUTES OUR
VETERANS AND TROOPS



SOUTHSIDE VETERANS GARDEN
AVON PARK, FLORIDA

ON THE COVER: VETERANS SQUARE, AVON PARK, FLORIDA

CITY OF AVON PARK, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Prepared by:

Renée A. Green, CPA

Finance Director



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STAFF SERGEANT LEWIS C. COOPER

US Army

South Viet Nam, 1st Infantry Division 2Bn 2nd Inf, 1966-1967



SERGEANT FIRST CLASS BRENDA GRAY

US Army

March 28, 1978 – February 2000

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CITY OF AVON PARK

Highlands County, Florida

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

May 3, 2011

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, 2010.

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 seventh year the City prepared the CAFR and the seventh 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.

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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 8,824 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 "0 percent in 20"0. New construction decreased 61 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 "1 percent for the month of December 20"0, which is greater than the state of Florida rate of 11.6 percent and greater than the national rate of 9." 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 and 2010, The City began a large project of rehabilitating and upgrading the wastewater treatment plant. The City started an aggressive fire hydrant replacement plan in 2009 and completed this project in 2010.

In 2010, the City rehabilitated four major lift stations. In addition, the City replaced ahead of schedule the fire station lift station. Both water treatment plants were modernized by installing variable frequency drives, along with modern day instrumentation to optimize operations. The City also rehabilitated the return activated sludge pump room at the waste water treatment plant.

The City acquired the Valencia Acres wastewater utility system in 2010 which consisted of ninety three (93) residential accounts. The purchase cost was \$10,000. The estimated recurring revenues is approximately \$26,000 annually.

The City decommissioned the Shad water plant and converted the Grouper water plant into a booster pump station. These improvements will save \$40,000 annually in staff costs, and save over \$15,000 in operating costs. Utilities staff also changed over four hundred (400) meters in Sebring Ridge to radio read meters.

The City repaired over one thousand (1,000) feet of damaged sidewalks. The City also repaved and reconstructed over twelve (12) miles of roadway infrastructure.

The City's utilities department started processing wastewater septage from septic tank waste and small treatment systems. This was implemented in March 10"0. Revenues received for 2010 were approximately \$61,645.

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 2011 new estimates are projecting taxable values of property will decline eight to ten 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. An eight percent decrease in tax revenue will result in approximately \$111,147.

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.

The City is purchasing a water/sewer system in Crystal Lakes owned by Mink Inc. This will increase our customer base by approximately 530 customers. Estimated annual revenues is \$324,805. This purchase will be through a revenue certificate with Highlands Independent Bank for \$400,000.

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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, 10"0, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluation the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 10"0, 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

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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, 100/. This was the fifth 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 (Thru September 30, 2010)

Renée A. Green, CPA
Finance Director

Julian Deleon, PE
Interim City Manager (Started March 2011)

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, 2009

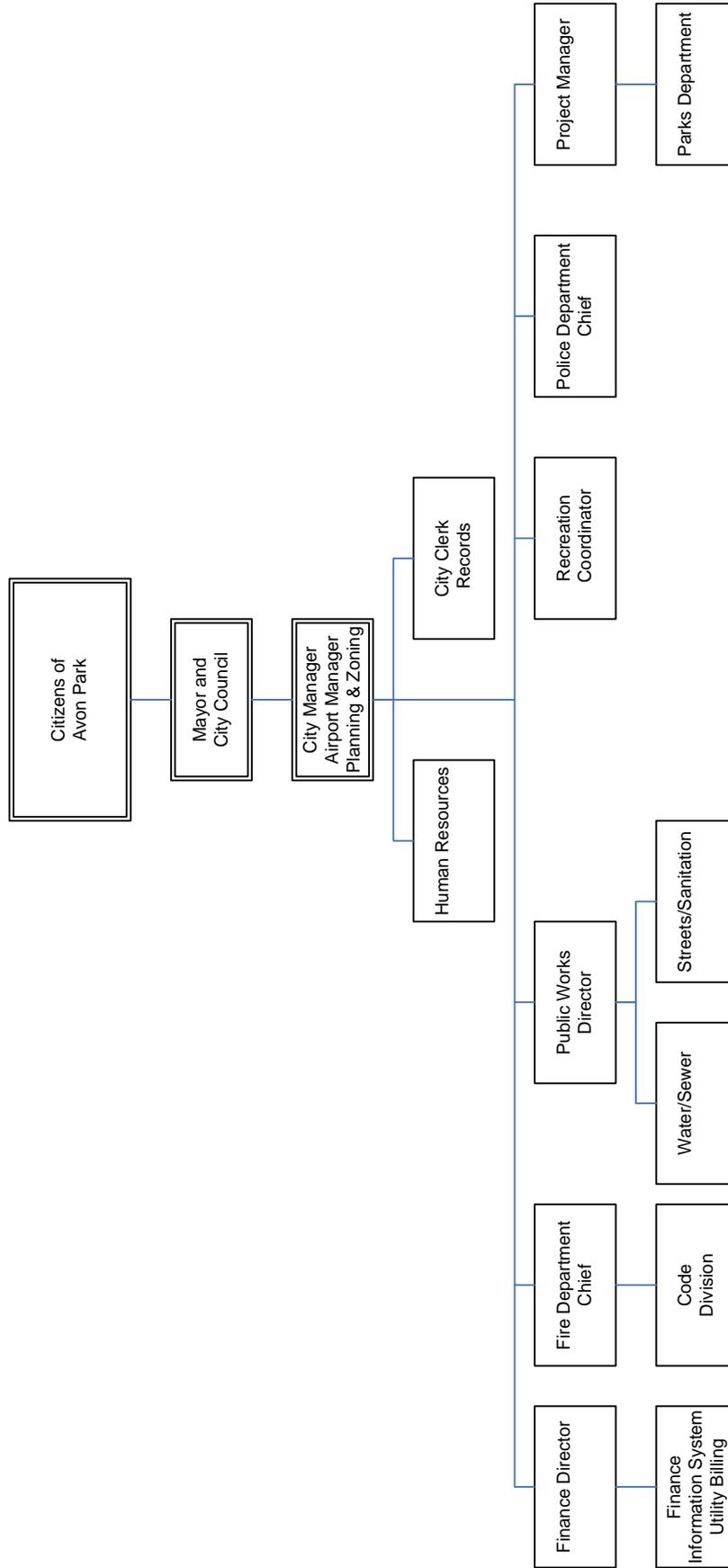
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF AVON PARK
2010 ORGANIZATIONAL CHART



List of Principal Officials

City Council

Sharon Schuler, Mayor

Brenda Gray, Deputy Mayor

Terry Heston, Councilman

Al Joe Hinson, Councilman

Paul Miller, Councilman

City Attorney

Gerald Buhr

City Manager (Thru September 30, 2010)

Maria Sutherland

Interim City Manager (Started March 2011)

Julian Deleon, PE

Finance Director

Renée A. Green, CPA



PRIVATE FIRST CLASS KEVIN ALLONG
US Army 10th Mountain 2/4 B Co., February 4, 2010 – Present
Operation Enduring Freedom, Afghanistan



AIRMAN FIRST CLASS MIGUEL ORTIZ
US Air Force, Offutt Air Force Base, Nebraska
April 13, 2010 - Present

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, 2010, 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 represent one-hundred percent of the aggregate remaining fund information assets and net assets, and ninety-one percent of the aggregate remaining fund information revenues. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included in the City of Avon Park Firefighters' Retirement System and Police Officers' Retirement System, is based on the reports of the other auditors.

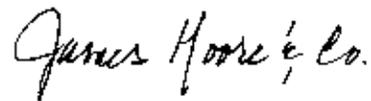
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparisons for the general, infrastructure and CRA funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2011, on our consideration of City of Avon Park, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "James Moore & Co." The signature is written in dark ink and is positioned in the lower right quadrant of the page.

Daytona Beach, Florida
May 3, 2011

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, 2010. 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 \$30,797,894. Of this amount, \$1,500,841 (unrestricted net assets) has a positive balance. In the past this amount has been negative balance. This shows the City is improving their net assets.
- As of the close of the current fiscal year, the City reported combined governmental ending fund balances of \$4,340,707, an decrease of \$91,953 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,634,665 or 28.7 percent of total general fund expenditures.
- The City's non-current liabilities decreased by \$1,133,319 (15%) during the current year. The factors in this change are principal payments of \$1,064,405, and a decrease in compensated absences of \$89,300.

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 \$30,797,894 at the close of the most recent fiscal year.

The largest portion of the City's net assets (82 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$1,500,841. The past few years the unrestricted net assets were a negative balance due to cash deficits in the airport and water/sewer funds.

CITY OF AVON PARK'S NET ASSETS

	Governmental Activities 2009	Governmental Activities 2010	Business< type Activities 2009	Business< type Activities 2010	Total 2009	Total 2010
Current and other assets	\$5,040,860	\$4,865,038	\$2,569,984	\$3,998,087	\$ 7,610,844	\$ 8,863,125
Capital assets	<u>8,956,099</u>	<u>9,691,265</u>	<u>20,477,499</u>	<u>20,054,003</u>	<u>29,433,598</u>	<u>29,695,268</u>
Total assets	<u>13,996,959</u>	<u>14,506,303</u>	<u>23,047,483</u>	<u>24,052,090</u>	<u>37,044,442</u>	<u>38,558,393</u>
Long-term liabilities outstanding	1,729,936	1,461,535	5,937,485	5,072,567	7,667,421	6,534,102
Other liabilities	<u>375,234</u>	<u>346,387</u>	<u>900,860</u>	<u>880,010</u>	<u>1,276,094</u>	<u>1,226,397</u>
Total liabilities	<u>2,105,170</u>	<u>1,807,922</u>	<u>6,838,345</u>	<u>5,952,577</u>	<u>8,943,515</u>	<u>7,760,499</u>
Net assets:						
Invested in capital assets, net of related debt	7,975,124	8,535,019	16,251,607	16,667,811	24,226,731	25,202,830
Restricted	2,893,280	2,643,382	1,568,973	1,450,841	4,462,253	4,094,223
Unrestricted	<u>1,023,385</u>	<u>1,519,980</u>	<u>(1,611,442)</u>	<u>(19,139)</u>	<u>(588,057)</u>	<u>1,500,841</u>
Total net assets	<u>\$11,891,789</u>	<u>\$12,698,381</u>	<u>\$16,209,138</u>	<u>\$18,099,513</u>	<u>\$28,100,927</u>	<u>\$30,797,894</u>

CITY OF AVON PARK'S CHANGES IN NET ASSETS

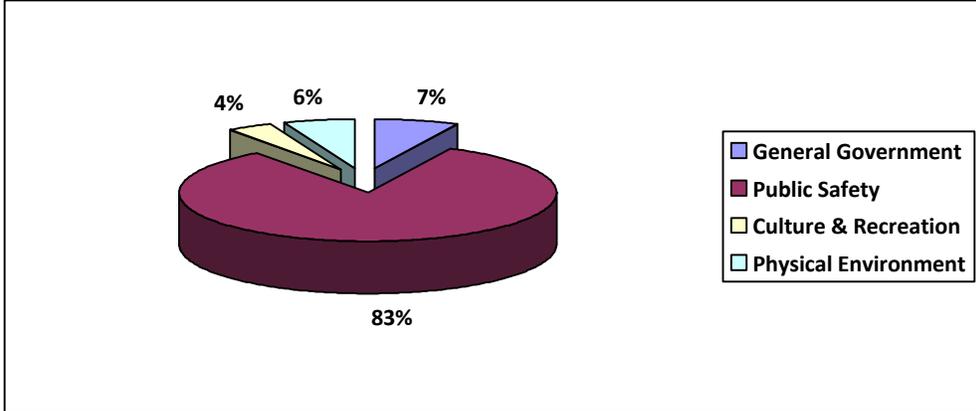
	Governmental Activities 2009	Governmental Activities 2010	Business< Type Activities 2009	Business< Type Activities 2010	Total 2009	Total 2010
Revenues:						
Program revenues:						
Charges for services	\$1,148,470	\$1,214,420	\$4,988,531	\$ 5,862,266	\$ 6,137,001	\$7,076,686
Operating grants and contributions	580,802	573,842	-	-	580,802	573,842
Capital grants and contributions	1,086,493	271,478	693,950	309,868	1,780,443	581,346
General Revenues:						
Property taxes	1,556,117	1,511,158	-	-	1,556,117	1,511,158
Other taxes	2,236,688	2,322,137	-	-	2,236,688	2,322,137
Other	<u>1,056,459</u>	<u>983,429</u>	<u>62,652</u>	<u>29,194</u>	<u>1,119,111</u>	<u>1,012,623</u>
Total revenues	<u>7,665,029</u>	<u>6,876,464</u>	<u>5,745,133</u>	<u>6,201,328</u>	<u>13,410,162</u>	<u>13,077,792</u>
Expenses:						
General government	635,939	686,201	-	-	635,939	686,201
Public Safety	3,449,934	3,748,882	-	-	3,449,934	3,748,882
Physical Environment	601,986	651,747	-	-	601,986	651,747
Culture and Recreation	682,083	630,786	-	-	682,083	630,786
Economic Environment	208,495	153,723	-	-	208,495	153,723
Interest on long-term debt	73,011	66,204	-	-	73,011	66,204
Water/Sewer	-	-	2,879,831	2,742,031	2,879,831	2,742,031
Airport	-	-	578,119	611,963	578,119	611,963
Solid Waste	-	-	<u>1,132,480</u>	<u>1,089,288</u>	<u>1,132,480</u>	<u>1,089,288</u>
Total expenses	<u>5,651,448</u>	<u>5,937,543</u>	<u>4,590,430</u>	<u>4,443,282</u>	<u>10,241,878</u>	<u>10,380,825</u>
Increase in net assets before transfers	2,013,581	938,921	1,154,703	1,758,046	3,168,284	2,696,967
Transfers	<u>(91,529)</u>	<u>(132,329)</u>	<u>91,529</u>	<u>132,329</u>	-	-
Increase in net assets	1,922,052	806,592	1,246,232	1,890,375	3,168,284	2,696,967
Net assets, beginning	<u>9,969,737</u>	<u>11,891,789</u>	<u>14,962,906</u>	<u>16,209,138</u>	<u>24,932,643</u>	<u>26,854,695</u>
Restated						
Net assets, ending	<u>\$11,891,789</u>	<u>\$12,698,381</u>	<u>\$16,209,138</u>	<u>\$18,099,513</u>	<u>\$28,100,927</u>	<u>\$30,797,894</u>

Governmental Activities. Governmental activities increased by K806,592 thereby accounting for 30 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 K3,877,803. 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 \$1,728,813.

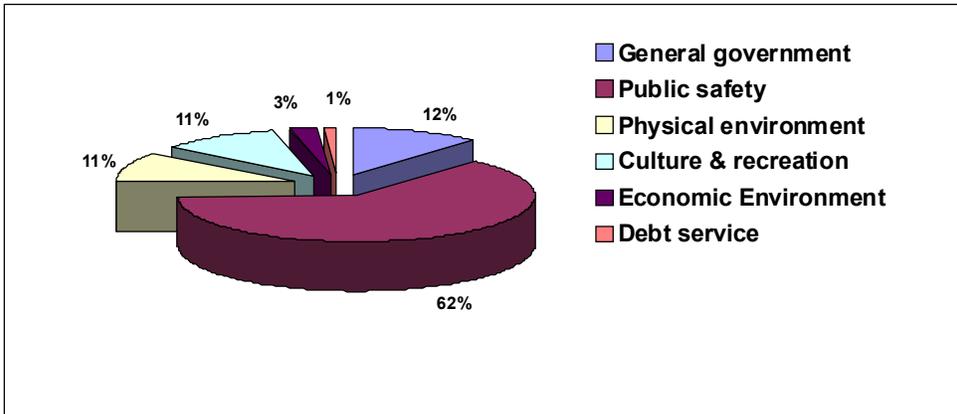
Property taxes decreased by \$44,959 (3 percent) during the year. Operating grants and contributions and capital grants and contributions decreased by \$821,975. This was due to the C.D.B.G. streetscape grant and the TEA21 streetscape grant was mostly completed in 2009.

**PROGRAM REVENUES ? GOVERNMENTAL ACTIVITIES
2009<10 Fiscal Year**

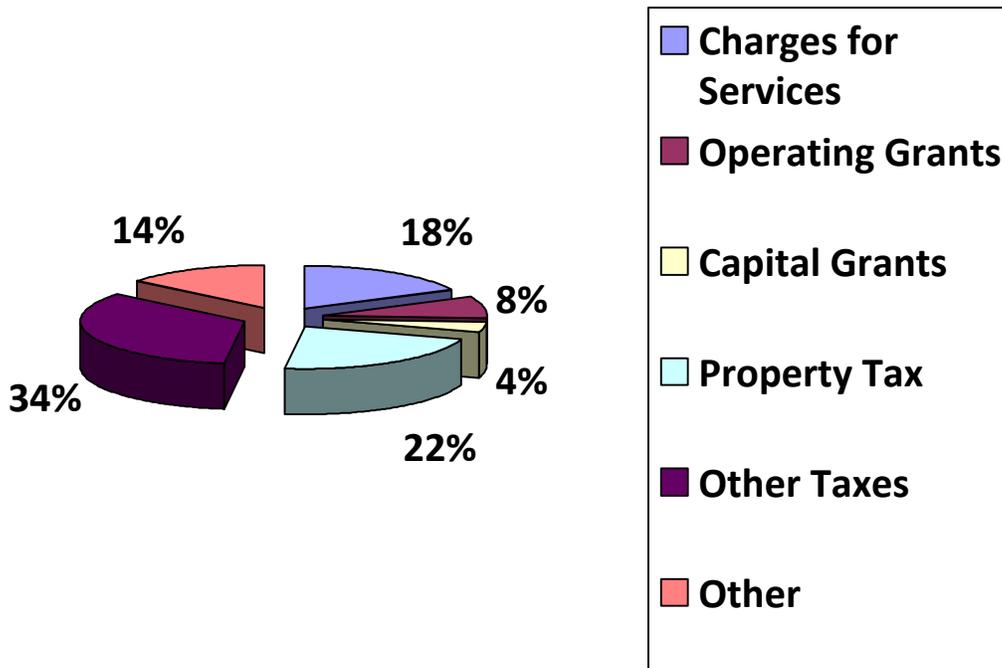


PROGRAM EXPENSES ? GOVERNMENTAL ACTIVITIES

2009<10 Fiscal Year



REVENUES BY SOURCE<GOVERNMENTAL ACTIVITIES
2009<10 Fiscal Year



Business-type Activities. Business-type activities account for 59 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 \$1,890,2-\$. Key elements of this increase were as follows:

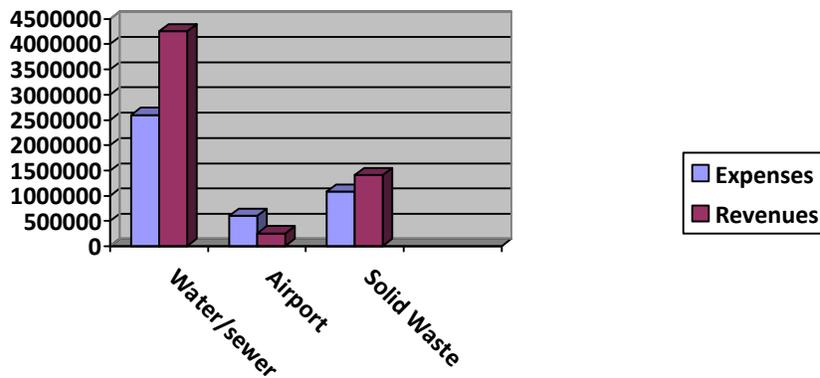
Charges for services for business-type activities increased 18 percent.

Investments in capital assets, net of related debt for business-type activities increased by 3% due to increase in airport assets by \$416,204 which consist of \$110,544 for lift stations, and \$80,569 for equipment and fire hydrants.. Increase in water/sewer assets of \$136,024 memorial drive extensions. The airport fund included \$68,666 for improvement and taxiway design and lights. Water/sewer fund Improvements to Sebring Ridge Meters \$37,233.

The Airport fund has a deficit of unrestricted net assets in the amount of \$1,051,821, an increase in deficit from prior year of \$68,984 due to the funds received are invested in “capital” assets. The Airport Fund is showing an operating loss of \$351,965 a decrease of \$5,161 from 2009. 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 \$329,729 a decrease of \$72,449 from prior year. Operating expenses decreased by \$91,997.

**EXPENSES AND PROGRAM REVENUES< BUSINESS<TYPE ACTIVITIES
2009<10 Fiscal Year**



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$4,340,707, a decrease of \$91,953 in comparison of the prior year. Approximately \$4,261,963, or 98 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 \$1,634,665 while total fund balance reached \$1,713,409. 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 29 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of the City's general fund increased by \$154,906 during the current fiscal year. Key factors in this increase were due to increased revenues of \$ 220,515.

The fund balance of the City's infrastructure fund decreased by \$352,635 during the current fiscal year. Key factors in this decrease were due to increases in capital outlay of \$464,736 and transfer to water/sewer fund of \$182,329.

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 \$110,010. The Airport fund and Solid Waste funds unrestricted net assets were \$(1,051,821) and \$922,672 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 \$459,108 increase in revenues and a \$573,898 increase in expenditures. These differences were as follows:

- Loan Proceeds revenues increased \$300,000 due to Revenue used for Street Improvements and sidewalks. Revenues received for the Main Street S. Lake Ave. Lighting project was increased by \$50,000. Rental on governmental buildings increased by \$47,900 due to unbudgeted revenue from AT&T tower lease.
- Miscellaneous revenues increased \$20,000 due to transfer from CRA for parks.

- Police Department expenditures increased \$51,200 due to increase of increase in Overtime. The Fire Department salaries increased by \$\$53,559 which was a re-class from executive salaries to regular salaries in the amount of \$37,350 and \$22,800 for overages at year end.
- Planning and Zoning expenditures increased by \$40,601 for pay out of an employee.
- Street Department expenditures increased \$36,220 due to purchase of 2 lawn movers approx. \$12,170 and the purchase of two used vehicles \$18,000.

Differences between the final amended budget and the actual for the general fund were a \$152,380 decrease in revenues and a \$800,708 decrease in expenditures. These differences were as follows:

- Intergovernmental Revenues actual less than budget due to Recreation Parks Advisory Committee from Highlands County was budgeted for \$181,310 for Memorial Field Concession stand \$126,440 which was not started until 2011, Lucy Derkman Field Improvements \$34,870 was not started until 2011 and Durrah Martin Irrigation Well \$20,000. The irrigation well was completed in 2010. Actual funds received were \$27,800 therefore a \$153,510 decrease in budget.
- Intergovernmental Revenues actual less than budgeted due to Highlands County Recreation funding was \$89,694 less than the budget amount of \$257,115.
- Tax revenues were more than budget \$250,000 due to property tax revenue was \$52,890 more than budget and electric franchise fees were actual over \$60,965.
- Parks actual expenditures were under budget due to Durrah Martin Ball Field was budgeted for grant of \$220,000 and Lucy Derkman Ball Field was budgeted at \$234,870 of which both actual expenditures were zero. Memorial Field Restrooms was budgeted at \$116,690 of which only \$9,750 was spent.
- Expenditures for Parks for Donaldson Park FRDAP grant was budgeted at \$80,000 of which only \$4,757 was spent. Projects will be completed in 2011.
- Expenditures in the Street Department were under budget due to project for Lake Ave. Street Lighting was budgeted at \$50,000 and only \$21,392 was spent. The remainder is being spent in year 2011.
- Expenditures in the Street Department were under budget in the repairs and maintenance accounts by \$16,945.

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, 2010 amounts to \$29,695,268 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and curbs and sidewalks. The total decrease in the City's investment in capital assets for the current fiscal year was 1 percent.

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

- A variety of street projects including resurfacing existing roads, addition of new sidewalks and curbing. The total for the year was \$749,362 and \$28,204 for storm water improvements.
- CIP increased due to Memorial Field concession stand, Aline McWhite playground, the TEA 21 Museum Avenue and CDBG Streetscape in the amount of \$149,345.
- Projects for airport improvements increased \$69,478 due to Taxiway design and other improvements to the FBO building.
- Water and sewer improvements included water and sewer mains, extensions, improvements to the system, and equipment. The total additions for the year were approximately \$607,037. Equipment purchases were approximately \$34,264, Fire hydrants \$46,304. The water extension from Memorial Ave. to Sebring Ridge \$136,024.

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

	Governmental Activities <u>2009</u>	Governmental Activities <u>2010</u>	Business< type Activities <u>2009</u>	Business< type Activities <u>2010</u>	Total <u>2009</u>	Total <u>2010</u>
Land	\$ 316,634	\$ 316,174	\$ 818,360	\$ 818,360	\$ 1,134,994	\$ 1,134,534
Buildings & system Machinery & Equipment	2,844,164	2,735,807	17,078,050	16,986,854	19,922,1"9	19,722,661
Infrastructure	1,685,529	1,569,369	2,021,134	1,829,734	3,706,663	3,399,103
Intangible assets	2,934,335	3,709,959	-	-	2,934,335	3,709,959
Construction in progress	-	-	95,606	81,948	95,606	81,948
	<u>1,175,437</u>	<u>1,309,956</u>	<u>964,349</u>	<u>337,107</u>	<u>1,639,786</u>	<u>1,647,063</u>
	<u>\$8,956,099</u>	<u>\$9,691,265</u>	<u>\$20,477,499</u>	<u>\$20,054,003</u>	<u>K19,433,598</u>	<u>\$29,695,268</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 \$6,579,102. Of this amount, \$3,120,000 comprises debt secured by specific revenue sources (revenue bonds) and \$1,568,581 is for notes payable, \$791,517 for future landfill closure, \$382,414 for compensated absences and \$678,832 for deferred revenue relating to the airport industrial building. For year 2010 liability was added for Other Post-Employment Benefits for \$37,758.

CITY OF AVON PARK'S OUTSTANDING DEBT

	Governmental Activities <u>2009</u>	Governmental Activities <u>2010</u>	Business< type Activities <u>2009</u>	Business< type Activities <u>2010</u>	Total <u>2009</u>	Total <u>2010</u>
Loans payable and other obligations	\$1,729,936	\$1,461,535	\$2,097,413	\$1,997,567	\$3,827,349	\$3,459,102
Revenue bonds	-	-	<u>3,585,000</u>	<u>3,120,000</u>	<u>3,585,000</u>	<u>3,120,000</u>
Total	<u>\$1,729,936</u>	<u>\$1,461,535</u>	<u>\$5,682,413</u>	<u>\$5,117,567</u>	<u>\$7,412,349</u>	<u>\$6,579,102</u>

The City's total debt decreased \$833,247 (11 percent) during the current fiscal year.

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 \$1,060,000.

Business-type debt includes water and sewer Revenue Bonds, Series 2003 due in annual installments of \$585,314 to \$589,720. Bond payment at the end of the current fiscal year is \$3,120,000.

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 8 percent over last year. ' estimates for 2010-2011 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 12 percent for the month of December 2010, which is higher than the state of Florida rate of 11.6 percent and greater than the national rate of 9.1 percent. This is the highest rate in over 25 years.
- Building and construction permits for year ending totaled 289 permits. For year ending 2010 the total of permits issued in the City was 31 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.

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.



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CITY OF AVON PARK, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Equity in pooled cash, cash equivalents and investments	\$ 3,889,213	\$ 1,263,690	\$ 5,152,903
Accounts receivable, net	111,353	507,773	619,126
Internal balances	-	-	-
Due from other governments	585,085	50,904	635,989
Other assets	6,420	-	6,420
Prepaid items	33,583	55,163	88,746
Inventory	-	131,687	131,687
Restricted cash and cash equivalents	72,262	1,855,388	1,927,650
Net pension assets	167,122	-	167,122
Deferred charges	-	133,482	133,482
Capital assets:			
Land	316,174	818,360	1,134,534
Construction in progress	1,309,956	337,107	1,647,063
Buildings and system	4,767,384	31,797,300	36,564,684
Equipment	4,866,781	4,467,430	9,334,211
Infrastructure	4,106,515	-	4,106,515
Intangible assets	-	273,161	273,161
Accumulated depreciation and amortization	(5,725,545)	(17,639,355)	(23,364,900)
Total Assets	<u>14,506,303</u>	<u>24,052,090</u>	<u>38,558,393</u>
Liabilities			
Accounts payable and accrued liabilities	306,329	144,537	450,866
Deferred revenue	11,855	45,000	56,855
Due to fiduciary funds	28,203	-	28,203
Deposits	-	654,100	654,100
Payable from restricted assets:			
Interest payable	-	36,373	36,373
Noncurrent liabilities:			
Due within one year	476,758	688,378	1,165,136
Due in more than one year	984,777	4,384,189	5,368,966
Total Liabilities	<u>1,807,922</u>	<u>5,952,577</u>	<u>7,760,499</u>
Net Assets			
Invested in capital assets, net of related debt	8,535,019	16,667,811	25,202,830
Restricted for:			
Infrastructure	2,017,098	-	2,017,098
Community redevelopment	610,200	-	610,200
Other	16,084	-	16,084
System improvements	-	225,841	225,841
Debt service	-	975,000	975,000
Renewal and replacement	-	250,000	250,000
Unrestricted	1,519,980	(19,139)	1,500,841
Total Net Assets	<u>\$ 12,698,381</u>	<u>\$ 18,099,513</u>	<u>\$ 30,797,894</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, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Functions/Programs							
Governmental activities							
General government	\$ 686,201	\$ 86,729	\$ 4,757	\$ 97,770	\$ (496,945)	\$ -	\$ (496,945)
Public safety	3,748,882	1,005,837	70,561	4,063	(2,668,421)	-	(2,668,421)
Physical environment	651,747	75,795	303,303	116,587	(156,062)	-	(156,062)
Culture and recreation	630,786	46,059	195,221	53,058	(336,448)	-	(336,448)
Economic environment	153,723	-	-	-	(153,723)	-	(153,723)
Debt service:							
Interest on long-term debt	66,204	-	-	-	(66,204)	-	(66,204)
Total governmental activities	5,937,543	1,214,420	573,842	271,478	(3,877,803)	-	(3,877,803)
Business-type activities							
Water and sewer	2,742,031	4,225,405	-	235,745	-	1,719,119	1,719,119
Airport	611,963	249,971	-	74,123	-	(287,869)	(287,869)
Solid waste	1,089,288	1,386,851	-	-	-	297,563	297,563
Total business-type activities	4,443,282	5,862,227	-	309,868	-	1,728,813	1,728,813
Total primary government	10,380,825	7,076,647	573,842	581,346	(3,877,803)	1,728,813	(2,148,990)
General revenues							
Taxes							
Property taxes					1,511,158	-	1,511,158
Sales tax					680,232	-	680,232
Services taxes					288,106	-	288,106
Franchise taxes					594,631	-	594,631
Utility taxes					759,168	-	759,168
Unrestricted intergovernmental revenue					963,877	-	963,877
Investment income (loss)					3,065	(24,656)	(21,591)
Miscellaneous					16,487	53,889	70,376
Transfers					(132,329)	132,329	-
Total general revenues and transfers					4,684,395	161,562	4,845,957
Change in net assets					806,592	1,890,375	2,696,967
Net assets, beginning of year					11,891,789	16,209,138	28,100,927
Net assets, end of year					\$ 12,698,381	\$ 18,099,513	\$ 30,797,894

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

**CITY OF AVON PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>General</u>	<u>Infrastructure</u>	<u>CRA Funds</u>	<u>(Nonmajor) CDBG Fund</u>	<u>Total Governmental Funds</u>
Assets					
Equity in pooled cash, cash equivalents and investments	\$ 1,331,141	\$ 1,942,472	\$ 615,600	\$ -	\$ 3,889,213
Accounts receivable, net	111,353	-	-	-	111,353
Due from other governments	480,772	104,313	-	-	585,085
Other assets	6,420	-	-	-	6,420
Restricted cash and cash equivalents	72,262	-	-	-	72,262
Total Assets	<u>\$ 2,001,948</u>	<u>\$ 2,046,785</u>	<u>\$ 615,600</u>	<u>\$ -</u>	<u>\$ 4,664,333</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 248,481	\$ 29,687	\$ 5,400	\$ -	\$ 283,568
Due to fiduciary funds	28,203	-	-	-	28,203
Deferred revenue	11,855	-	-	-	11,855
Total liabilities	<u>288,539</u>	<u>29,687</u>	<u>5,400</u>	<u>-</u>	<u>323,626</u>
Fund balances:					
Reserved for:					
Law enforcement	9,602	-	-	-	9,602
Street improvements	62,660	-	-	-	62,660
Bouis Foundation	6,482	-	-	-	6,482
Unreserved, reported in:					
General fund	1,634,665	-	-	-	1,634,665
Special revenue funds	-	2,017,098	610,200	-	2,627,298
Total fund balances	<u>1,713,409</u>	<u>2,017,098</u>	<u>610,200</u>	<u>-</u>	<u>4,340,707</u>
Total Liabilities and Fund Balances	<u>\$ 2,001,948</u>	<u>\$ 2,046,785</u>	<u>\$ 615,600</u>	<u>\$ -</u>	<u>\$ 4,664,333</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, 2010**

Fund Balances - Total Governmental Funds		\$ 4,340,707
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.		
	167,122	
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		
	33,583	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	15,366,810	
Accumulated depreciation	<u>(5,725,545)</u>	
		9,641,265
Long-term liabilities, are not due and payable in the current period and therefore, are not reported in the funds.		
Interest payable	(22,761)	
OPEB liability	(26,908)	
Compensated absences	(265,721)	
Notes payable	<u>(1,168,906)</u>	
		(1,484,296)
Net Assets of Governmental Activities		<u><u>\$ 12,698,381</u></u>

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

**CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>General</u>	<u>Infrastructure</u>	<u>CRA Funds</u>	<u>(Nonmajor) CDBG Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 3,456,240	\$ 680,232	\$ -	\$ -	\$ 4,136,472
Charges for services	959,297	-	-	-	959,297
Licenses and permits	46,726	-	-	-	46,726
Intergovernmental	1,265,478	-	184,825	116,587	1,566,890
Fines and forfeitures	54,140	-	-	-	54,140
Investment income (loss)	(369)	3,434	-	-	3,065
Miscellaneous	133,335	-	3,721	-	137,056
Total revenues	<u>5,914,847</u>	<u>683,666</u>	<u>188,546</u>	<u>116,587</u>	<u>6,903,646</u>
Expenditures					
Current:					
General government	672,133	-	-	-	672,133
Public safety	3,462,695	-	-	-	3,462,695
Physical environment	543,077	-	-	-	543,077
Culture and recreation	489,070	-	-	-	489,070
Economic environment	-	-	152,145	1,578	153,723
Capital outlay	524,841	585,308	3,234	175,324	1,288,707
Debt service					
Principal retirement	-	202,495	-	-	202,495
Interest and other debt service	-	66,169	-	-	66,169
Total expenditures	<u>5,691,816</u>	<u>853,972</u>	<u>155,379</u>	<u>176,902</u>	<u>6,878,069</u>
Excess (deficiency) of revenues over expenditures	<u>223,031</u>	<u>(170,306)</u>	<u>33,167</u>	<u>(60,315)</u>	<u>25,577</u>
Other financing sources (uses)					
Transfers in	70,000	-	152,924	-	222,924
Transfers out	(152,924)	(182,329)	(20,000)	-	(355,253)
Insurance proceeds	14,799	-	-	-	14,799
Total other financing sources (uses)	<u>(68,125)</u>	<u>(182,329)</u>	<u>132,924</u>	<u>-</u>	<u>(117,530)</u>
Net change in fund balances	<u>154,906</u>	<u>(352,635)</u>	<u>166,091</u>	<u>(60,315)</u>	<u>(91,953)</u>
Fund balances, beginning of year	1,558,503	2,369,733	444,109	60,315	4,432,660
Fund balances, end of year	<u>\$ 1,713,409</u>	<u>\$ 2,017,098</u>	<u>\$ 610,200</u>	<u>\$ -</u>	<u>\$ 4,340,707</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, 2010**

Net Change in Fund Balances - Total Governmental Funds		\$ (91,953)
Amounts reported for governmental activities in the statement of net assets are different because:		
In the governmental funds, contributions made to a pension fund in excess of the actuarial required contribution amount are reported as an expenditure. In the statement of net assets, the amount is reported as an asset. Thus the change in net assets differs from the change in fund balance by the amount contributed in excess (deficiency) of the actuary's requirement.		(4,082)
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.		
Expenditures for capital assets	1,288,706	
Less: Current year depreciation	<u>603,540</u>	
		685,166
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		(8,959)
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.		
Long-term debt	202,460	
Compensated absences	<u>92,849</u>	
		295,309
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds such as:		
OPEB liability	(26,908)	
Interest	<u>-</u>	
		(26,908)
Change in Net Assets of Governmental Activities		<u><u>\$ 806,592</u></u>

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

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,205,858	\$ 3,205,708	\$ 3,456,240	\$ 250,532
Charges for services	974,203	985,815	959,297	(26,518)
Licenses and permits	25,500	25,500	46,726	21,226
Intergovernmental	1,637,836	1,637,836	1,265,478	(372,358)
Fines and forfeitures	93,400	93,400	54,140	(39,260)
Investment income	19,000	19,000	(369)	(19,369)
Miscellaneous	37,115	99,968	133,335	33,367
Total revenues	<u>5,992,912</u>	<u>6,067,227</u>	<u>5,914,847</u>	<u>(152,380)</u>
Expenditures				
Administrative and financial:				
City council	25,578	24,516	23,559	957
City manager	249,651	244,134	242,679	1,455
Finance	155,954	171,856	171,483	373
General government:				
Legal counsel	87,025	85,775	85,734	41
Other government services	193,063	189,118	177,578	11,540
Public safety:				
Police	1,881,518	1,888,018	1,907,834	(19,816)
Fire	1,264,230	1,265,230	1,234,972	30,258
Code enforcement	209,329	216,129	212,901	3,228
Planning and zoning	96,513	142,923	134,770	8,153
Physical environment:				
Street	584,118	946,098	874,561	71,537
Parks	931,424	1,063,214	432,292	630,922
Culture/recreation:				
Recreation	208,788	216,363	158,063	58,300
Community center	29,150	39,150	35,390	3,760
Total expenditures	<u>5,916,341</u>	<u>6,492,524</u>	<u>5,691,816</u>	<u>800,708</u>
Excess (deficiency) of revenues over expenditures				
	<u>76,571</u>	<u>(425,297)</u>	<u>223,031</u>	<u>648,328</u>
Other financing sources (uses)				
Issuance of long-term debt	-	300,000	-	(300,000)
Insurance proceeds	-	14,643	14,799	156
Transfers in	55,000	125,000	70,000	(55,000)
Transfers out	(155,303)	(153,018)	(152,924)	94
Total other financing sources (uses)	<u>(100,303)</u>	<u>286,625</u>	<u>(68,125)</u>	<u>(354,750)</u>
Net change in fund balances	<u>(23,732)</u>	<u>(138,672)</u>	<u>154,906</u>	<u>293,578</u>
Fund balances, beginning of year	1,558,503	1,558,503	1,558,503	-
Fund balances, end of year	<u>\$ 1,534,771</u>	<u>\$ 1,419,831</u>	<u>\$ 1,713,409</u>	<u>\$ 293,578</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, 2010**

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 683,557	\$ 683,557	\$ 680,232	\$ (3,325)
Investment income	5,000	5,000	3,434	(1,566)
Total revenues	<u>688,557</u>	<u>688,557</u>	<u>683,666</u>	<u>(4,891)</u>
Expenditures				
Police	108,000	108,000	107,527	473
Fire	84,258	84,258	84,258	-
Streets	623,582	767,582	662,187	105,395
Parks and recreation	-	-	-	-
Water utility services	50,000	183,709	-	183,709
Total expenditures	<u>865,840</u>	<u>1,143,549</u>	<u>853,972</u>	<u>289,577</u>
Excess (deficiency) of revenues over expenditures	<u>(177,283)</u>	<u>(454,992)</u>	<u>(170,306)</u>	<u>284,686</u>
Other financing sources (uses)				
Transfers out	-	-	(182,329)	(182,329)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(182,329)</u>	<u>(182,329)</u>
Net change in fund balances	<u>(177,283)</u>	<u>(454,992)</u>	<u>(352,635)</u>	<u>102,357</u>
Fund balances, beginning of year	2,369,733	2,369,733	2,369,733	-
Fund balances, end of year	<u>\$ 2,192,450</u>	<u>\$ 1,914,741</u>	<u>\$ 2,017,098</u>	<u>\$ 102,357</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, 2010

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
%tergovernmental revenues	\$ 194,873	\$ 194,873	\$ 184,825	\$ (10,048)
Miscellaneous	-	-	3,721	3,721
Total revenues	<u>194,873</u>	<u>194,873</u>	<u>188,546</u>	<u>(6,327)</u>
Expenditures				
Operating	158,225	486,659	152,145	334,514
Capital outlay	167,531	185,145	3,234	181,911
Total expenditures	<u>325,756</u>	<u>671,804</u>	<u>155,379</u>	<u>516,425</u>
Excess (deficiency) of revenues over expenditures	<u>(130,883)</u>	<u>(476,931)</u>	<u>33,167</u>	<u>510,098</u>
Other financing sources (uses)				
Transfers in	167,258	167,258	152,924	(14,334)
Transfers out	(34,875)	(34,875)	(20,000)	14,875
Total other financing sources (uses)	<u>132,383</u>	<u>132,383</u>	<u>132,924</u>	<u>541</u>
Net change in fund balances	<u>1,500</u>	<u>(344,548)</u>	<u>166,091</u>	<u>510,639</u>
Fund balances, beginning of year	444,109	444,109	444,109	-
Fund balances, end of year	<u><u>\$ 445,609</u></u>	<u><u>\$ 99,561</u></u>	<u><u>\$ 610,200</u></u>	<u><u>\$ 510,639</u></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, 2010**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
Assets				
Current assets:				
Equity in pooled cash, cash equivalents and investments	\$ 302,002	\$ -	\$ 961,688	\$ 1,263,690
Restricted equity in pooled cash, cash equivalents and investments:				
Debt service	436,373	-	-	436,373
Accounts receivable, net	425,351	1,355	81,067	507,773
Due from other governments	-	50,904	-	50,904
Due from other funds	-	-	403,038	403,038
Prepaid expenses	34,149	12,258	8,756	55,163
Inventories	131,687	-	-	131,687
Total current assets	<u>1,329,562</u>	<u>64,517</u>	<u>1,454,549</u>	<u>2,848,628</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	225,841	-	-	225,841
Landfill closure	-	-	368,174	368,174
Deferred charges	133,482	-	-	133,482
Capital assets:				
Land	182,893	635,467	-	818,360
Building and system	21,759,237	10,036,208	1,855	31,797,300
Equipment	3,290,291	3,544	1,173,595	4,467,430
Construction in progress	58,542	278,565	-	337,107
Intangible assets	-	-	273,161	273,161
Accumulated depreciation and amortization	(13,458,778)	(3,060,170)	(1,120,407)	(17,639,355)
Capital assets, net of accumulated depreciation and amortization	<u>11,832,185</u>	<u>7,893,614</u>	<u>328,204</u>	<u>20,054,003</u>
Total noncurrent assets	<u>13,016,508</u>	<u>7,893,614</u>	<u>696,378</u>	<u>21,606,500</u>
Total Assets	<u><u>\$ 14,346,070</u></u>	<u><u>\$ 7,958,131</u></u>	<u><u>\$ 2,150,927</u></u>	<u><u>\$ 24,455,128</u></u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 86,395	\$ 19	\$ 58,123	\$ 144,537
Due to other funds	-	403,038	-	403,038
Compensated absences	52,247	-	16,691	68,938
Deposits	619,651	34,449	-	654,100
Current portion of landfill closure	-	-	26,460	26,460
Deferred revenue - current	-	45,000	-	45,000
Current portion of loans payable	24,290	10,787	77,903	112,980
Current liabilities payable from restricted assets:				
Interest payable	36,373	-	-	36,373
Current portion of bonds payable	480,000	-	-	480,000
Total current liabilities	<u>1,298,956</u>	<u>493,293</u>	<u>179,177</u>	<u>1,971,426</u>
Noncurrent liabilities:				
Compensated absences	17,074	-	30,682	47,756
Other post-employment benefits	7,812	-	3,038	10,850
Landfill closure	-	-	765,057	765,057
Deferred revenue	-	633,832	-	633,832
Bonds payable, net of current portion	2,640,000	-	-	2,640,000
Loans payable, net of current portion	50,562	174,658	61,474	286,694
Total non-current liabilities	<u>2,715,448</u>	<u>808,490</u>	<u>860,251</u>	<u>4,384,189</u>
Total liabilities	<u>4,014,404</u>	<u>1,301,783</u>	<u>1,039,428</u>	<u>6,355,615</u>
Net Assets				
Invested in capital assets, net of related debt	8,770,815	7,708,169	188,827	16,667,811
Restricted for:				
System improvement	225,841	-	-	225,841
Debt Service	975,000	-	-	975,000
Renewal and replacement	250,000	-	-	250,000
Unrestricted	110,010	(1,051,821)	922,672	(19,139)
Total net assets	<u>10,331,666</u>	<u>6,656,348</u>	<u>1,111,499</u>	<u>18,099,513</u>
Total Liabilities and Net Assets	<u><u>\$ 14,346,070</u></u>	<u><u>\$ 7,958,131</u></u>	<u><u>\$ 2,150,927</u></u>	<u><u>\$ 24,455,128</u></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, 2010

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
Operating revenues				
Charges for services	\$ 4,225,405	\$ 249,971	\$ 1,386,851	\$ 5,862,227
Miscellaneous	29,434	-	23,828	53,262
Total operating revenues	<u>4,254,839</u>	<u>249,971</u>	<u>1,410,679</u>	<u>5,915,489</u>
Operating expenses				
Personal services	880,146	11,401	434,622	1,326,169
Materials, supplies, services, and other operating expenses	1,015,177	274,470	550,930	1,840,577
Depreciation and amortization	705,564	316,065	95,398	1,117,027
Total operating expenses	<u>2,600,887</u>	<u>601,936</u>	<u>1,080,950</u>	<u>4,283,773</u>
Operating income (loss)	<u>1,653,952</u>	<u>(351,965)</u>	<u>329,729</u>	<u>1,631,716</u>
Nonoperating revenues (expenses)				
Investment income (loss)	(20,890)	-	(3,766)	(24,656)
Gain (loss) on sale of capital assets	-	-	627	627
Interest/amortization expense	(141,144)	(10,027)	(8,338)	(159,509)
Total nonoperating revenues (expenses)	<u>(162,034)</u>	<u>(10,027)</u>	<u>(11,477)</u>	<u>(183,538)</u>
Income (loss) before transfers and capital contributions	<u>1,491,918</u>	<u>(361,992)</u>	<u>318,252</u>	<u>1,448,178</u>
Capital contributions - capital grants	-	74,123	-	74,123
Capital contributions - impact fees and capital contributions	235,745	-	-	235,745
Transfers in	182,329	-	-	182,329
Transfers out	-	-	(50,000)	(50,000)
Changes in net assets	<u>1,909,992</u>	<u>(287,869)</u>	<u>268,252</u>	<u>1,890,375</u>
Total net assets, beginning of year	8,421,674	6,944,217	843,247	16,209,138
Total net assets, end of year	<u>\$ 10,331,666</u>	<u>\$ 6,656,348</u>	<u>\$ 1,111,499</u>	<u>\$ 18,099,513</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, 2010**

	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers	\$ 4,215,474	\$ 230,245	\$ 1,412,905	\$ 5,858,624
Cash paid to suppliers	(1,067,629)	(272,494)	(535,878)	(1,876,001)
Cash paid to employees	(864,666)	(10,937)	(428,666)	(1,304,269)
Net cash provided by (used in) operating activities	<u>2,283,179</u>	<u>(53,186)</u>	<u>448,361</u>	<u>2,678,354</u>
Cash flows from noncapital financing activities				
Transfers from (to) other funds	<u>(811,328)</u>	<u>135,028</u>	<u>597,765</u>	<u>(78,535)</u>
Cash flows from capital and related financing activities				
Principal payments on loans payable	(312,517)	(10,071)	(74,359)	(396,947)
Principal payments on bonds payable	(465,000)	-	-	(465,000)
Interest paid	(123,160)	(10,027)	(8,338)	(141,525)
Proceeds from impact fees and capital contributions	235,745	-	-	235,745
Proceeds from capital grants	-	25,365	-	25,365
Acquisition and construction of capital assets	(606,422)	(87,109)	-	(693,531)
Net cash provided by (used in) capital and related financing activities	<u>(1,271,354)</u>	<u>(81,842)</u>	<u>(82,697)</u>	<u>(1,435,893)</u>
Cash flows from investing activities				
Investment income (loss)	(20,890)	-	(3,766)	(24,656)
Net increase (decrease) in cash and cash equivalents	<u>179,607</u>	<u>-</u>	<u>959,663</u>	<u>1,139,270</u>
Equity in restricted cash, cash equivalents and investments, beginning of year	1,609,609	-	370,199	1,979,808
Equity in restricted cash, cash equivalents and investments, end of year	<u>\$ 1,789,216</u>	<u>\$ -</u>	<u>\$ 1,329,862</u>	<u>\$ 3,119,078</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, 2010
(Continued)

	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Reconciliation of cash and cash equivalents to statement of net assets				
Equity in cash, cash equivalents and investments in current assets	\$ 302,002	\$ -	\$ 961,688	\$ 1,263,690
Restricted equity in cash, cash equivalents and investments in current assets	436,373	-	-	436,373
Restricted equity in cash, cash equivalents and investments in noncurrent assets	1,050,841	-	368,174	1,419,015
Total cash and cash equivalents	<u>\$ 1,789,216</u>	<u>\$ -</u>	<u>\$ 1,329,862</u>	<u>\$ 3,119,078</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 1,653,952	\$ (351,965)	\$ 329,729	\$ 1,631,716
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	705,564	316,065	81,740	1,103,369
Amortization on intangible assets	-	-	13,658	13,658
Gain on disposal of capital assets	-	-	627	627
Changes in certain assets and liabilities:				
Accounts receivable	(79,419)	12,887	2,226	(64,306)
Prepaid expenses	10,692	3,839	2,742	17,273
Inventories	(4,425)	-	-	(4,425)
Compensated absences	11,977	-	1,572	13,549
Other post-employment benefits	7,812	-	3,038	10,850
Accounts payable and accrued liabilities	(63,028)	(1,399)	13,029	(51,398)
Deferred revenue - current	-	(27,370)	-	(27,370)
Deposits	40,054	(5,243)	-	34,811
Net cash provided by (used in) operating activities	<u>\$ 2,283,179</u>	<u>\$ (53,186)</u>	<u>\$ 448,361</u>	<u>\$ 2,678,354</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, 2010**

	Pension Trust Funds
Assets	
Interest and dividend receivable	\$ 38,576
Due from other funds	28,203
Contributions receivable from employees	1,278
Investments:	
Short-term money market funds	654,347
U.S. Government agencies and securities	556,711
Mortgage backed securities	306,751
Corporate, municipal, and foreign bonds	1,724,980
Corporate equity securities	4,593,463
Total assets	7,904,309
Liabilities	-
Net assets held in trust for pension benefits	\$ 7,904,309

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, 2010**

	Pension Trust Funds
Additions	
Contributions	
Employees' contributions	\$ 89,113
Employer's contributions	306,987
State contributions	97,541
Total contributions	493,641
Investment earnings	
Net increase in investments	710,201
Investment expense	(59,648)
Net investment earnings	650,553
Total additions	1,144,194
Deductions	
Benefits	359,140
Administrative expenses	109,009
Total deductions	468,149
Change in Net Assets	676,045
Net assets held in trust for pension benefits, beginning of year	7,228,264
Net assets held in trust for pension benefits, end of year	\$ 7,904,309

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@ "A **Summary of Significant Accounting Policies:**

(a) **Reporting entity** R The City, a municipality under the laws of the State of Florida, is located in Highlands County and is approximately .1 square miles in area. It was incorporated in 1926 when Florida Law Chapter 12512 approved its original charter. The City Council is comprised of the Mayor and four City Council persons. The City provides public safety, public works, recreation, and general government services to its approximately 8,824 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** R 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, 2010

@ "A **Summary of Significant Accounting Policies:** (Continued)

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

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

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

The City's pension trust funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type @fiduciary). Since these assets are being held for the benefit of a third party (other local governments) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Fund Financial Statements

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

Fund financial statements for the primary government which are comprised of governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statement includes financial information for the pension trust funds.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from unrestricted resources.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@ "A **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 20, 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, 2010**

@ "A **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 R 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 R This fund was created to account for revenues that are required by Florida Statutes to be expended only for certain purposes.

CRA Funds R 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 R 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 R 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 R 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, 2010

@ "A **Summary of Significant Accounting Policies:** (Continued)

Other Fund Types

Pension Trust Funds R 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** R Budgets are prepared for General, Infrastructure, and CRA Funds on a basis consistent with the basis of accounting utilized for the respective funds, the modified accrual basis of accounting. 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. The City's four general fund functions are administrative and financial, public safety, physical environment, and culture/recreation.

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

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

"Total fund balances of the City's governmental funds of K4,240,707 differs from Hnet assets" of governmental activities, K"1,698,381, 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, 2010

@ "A **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, a decrease of K91,953, differs from the "change in net assetsI for governmental activities, an increase of K. 06,592 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 K152,924 between governmental activities were eliminated.

(eA **Cash and cash equivalents**R 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** R Investments are stated at fair value, *except for* short-term investments, which are stated at amortized cost.

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

(g) **Inventories** R 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** R 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** D 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, 2010

@ "A **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).

@CA **Intangible asset R** On October 1, 1996, the City established a new enterprise fund for its solid waste operations. Assets and liabilities relating to solid waste were transferred from the General Fund to the Solid Waste Fund. The excess of liabilities over the cost of assets totaling \$273,161 was recorded as an intangible asset in the Solid Waste Fund. This intangible asset is being amortized on a straight-line basis over a 20 year period and at September 30, 2010 accumulated amortization totals \$191,213 and the net amortized value of the asset amounts to \$81,948.

@>A **Capital assets R** 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, 2010**

@ "A **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 290 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.

Compensated absences are reported in governmental funds only if the absences have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). As accumulated sick and annual leave would not be liquidated with expendable available resources, a long-term liability of accrued sick and annual leave has been recorded in the government-wide statement of net assets at September 30, 2010, 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.

(mA) **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, 2010

@ "A **Summary of Significant Accounting Policies:** (Continued)

(o) **Long-term obligations** R 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** R In the fund financial statements, governmental and proprietary 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. The City's policy for fund balance/net assets of the general fund and enterprise funds is to maintain a reservation of fund balance equal to 20% of the current fiscal year operating expenditure and transfers out budgeted for each fund, exclusive of depreciation.

(q) **Property tax revenues** R Ad valorem taxes for the current fiscal year (beginning October 1, 100/) are assessed on July 1, 100/ based on property values of January 1, 100/. The taxes are billed in the month of November 100/ by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due November 1, 100/ (levy date) and become delinquent April 1, 10"0. Tax certificates are issued for delinquent taxes by June 1, 10"0 (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** R The preparation of financial statements in conformity 3ith accountin) principles generally accepted in the United States, as applicable to governmental entities, requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

(s) **Change in accounting principle** D The City implemented GASB Statement No. 45. "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" for the year ended September 30, 2010.

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 resulted in increased employee benefit expense and related long term liabilities totaling K37,758 for the year and certain disclosures related to postemployment benefits (see Note 7) have been modified to conform to the new reporting requirements.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@1A Deposits and Investments:

(a) **Deposits** R At September 30, 2010, the carrying amount of the City's deposits was \$4,229,287 and the bank balance was \$4,423,716. The difference between these two balances is created by timing differences due to the float on disbursements which have not cleared the bank. The City also had \$2,160 cash on hand at September 30, 2010.

(b) **Investments** R As of September 30, 2010, the City had the following investments and maturities:

Investment Type	Fair Value	Remaining Maturities (in Years)			
		Less Than 1	1 < 7	F < 10	More Than 10
U.S. Government securities	\$ 424,793	\$ 424,793	\$ -	\$ -	\$ -
U.S. Government Bonds	916,382	916,382	-	-	-
Florida SBA LGIP Fund A	1,453,162	1,453,162	-	-	-
Florida SBA LGIP Fund B	54,769	-	-	54,769	-
Total fair value	\$ 2,849,106	\$ 2,794,337	\$ -	\$ 54,769	\$ -

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, 2010 for each type of investment in debt securities.

Rating as of Year End	U.S. Government Securities	U.S. Government Bonds	SBA LGIP Fund A	SBA LGIP Fund B
AAAm	\$ -	\$ -	\$ 1,453,162	\$ -
AAA	424,793	916,382	-	-
Not rated	-	-	-	54,769
Total	\$ 424,793	\$ 916,382	\$ 1,453,162	\$ 54,769

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@1A Deposits and Investments: (Continued)

All bank accounts of the City are placed in banks that qualify as a public depository, as required by law (Florida Security For Public Deposits Act, Chapter 280, Florida Statutes). Chapter 280 of the Florida Statutes provides that qualified public depositories must maintain eligible collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the twelve months immediately preceding the date of any computation of the balance. As such, the depository is not required to hold collateral in the City's name, nor specify which collateral is held for the City's benefit. The Public Deposit Security Trust Fund, as created under the laws of the State of Florida, would be required to pay the City for any deposits not covered by depository insurance or collateral pledged by the depository as previously described. Florida Statutes and the City's investment policy authorize the City to use interest bearing time deposit savings accounts and money market accounts in qualified public depositories. All deposits are entirely insured.

The City is a member of the Local Government Surplus Funds Trust Fund Investment Pool Fund A (the Pool) that is administered by the State Board of Administration of Florida (SBA). At September 30, 2010, the carrying amount of the City's deposits was K1,453,162 and the SBA balances were K1,453,162. 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, 2010, the principle amount of the City's deposits was K70,656 and the fair value was K54,769. The SBA's interpretation in regard to Fund B is that it does not meet the requirements of a SEC 2a7-like fund; therefore, SBA provided the Fair Value factor of 70.70581%.

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

(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:

	<u>Governmental</u>		<u>Business-Type Activities</u>				<u>Total</u>
	<u>Activities</u>		<u>Water and</u>		<u>Airport</u>	<u>Solid Waste</u>	
	<u>General</u>		<u>Sewer</u>				
Utility and franchise taxes	K 111,004		K -		K -		K 111,004
Code enforcement	23,227		-		-		23,227
Water and sewer charges	-		429,301		-		429,301
Solid waste charges	-		-		84,569		84,569
Miscellaneous	1,760		-		5,441		7,201
Gross receivables	13\$,991		429,301		5,441		6\$\$,302
Allowance for doubtful accounts	(24,638)		(3,950)		(4,086)		(36,176A)
	<u>K 111,353</u>		<u>K 425,351</u>		<u>K 1,3\$\$</u>		<u>K 619,126</u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@9A Capital Assets:

Capital asset activity for the year ended September 30, 2010 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	K 316,634	K -	K (460)	K -	K 316,"-9
Construction in process	1,175,437	152,064	-	@17,545A	1,309,956
Total capital assets, not being depreciated	<u>1,492,071</u>	<u>152,064</u>	<u>(460)</u>	<u>@17,545A</u>	<u>1,626,130</u>
Capital assets, being depreciated:					
Buildings	4,735,160	"9,679	-	17,545	4,-6-,384
Equipment	4,871,054	227,143	@231,416A	-	4,866,781
Infrastructure	3,211,695	894,820	-	-	9,106,\$"\$
Total capital assets, being depreciated:	<u>12,817,909</u>	<u>1,136,642</u>	<u>@231,416A</u>	<u>17,545</u>	<u>13,-90,680</u>
Less accumulated depreciation for:					
Buildings	(1,890,996)	@"40,581A	-	-	@2,031,5--A
Equipment	(3,185,525)	@343,763A	231,876	-	@3,297,412A
Infrastructure	(277,360)	@119,196A	-	-	@396,556A
Total accumulated depreciation	<u>(5,353,881)</u>	<u>@603,540A</u>	<u>231,876</u>	<u>-</u>	<u>(5,725,\$9\$A</u>
Total capital assets, being depreciated, net	<u>7,464,028</u>	<u>533,102</u>	<u>460</u>	<u>17,545</u>	<u>8,0"\$,135</u>
Governmental activities capital assets, net	<u>K 8,956,099</u>	<u>K 68\$,166</u>	<u>K -</u>	<u>K -</u>	<u>K 9,69",265</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

@9A **Capital Assets:** (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	K 818,360	K -	K -	K -	K 818,360
Construction in process	464,349	48,488	-	(175,730)	337,107
Total capital assets, not being depreciated	<u>1,282,709</u>	<u>48,488</u>	<u>-</u>	<u>(175,730)</u>	<u>1,155,467</u>
Capital assets, being depreciated & amortized:					
Buildings and system	31,056,480	\$65,090	-	175,730	31,-97,300
Machinery and equipment	4,459,572	80,569	(72,711)	-	4,467,430
Intangible assets	273,161	-	-	-	273,161
Total capital assets, being depreciated & amortized:	<u>35,789,213</u>	<u>645,660</u>	<u>(72,711)</u>	<u>175,730</u>	<u>36,537,891</u>
Less accumulated depreciation & amortization for:					
Buildings and system	(13,978,430)	(831,016A	-	-	@14,810,446A
Machinery and equipment	(2,438,438)	(271,353)	72,095	-	(2,637,696A
Intangible assets	(177,555)	(13,658)	-	-	@191,213A
Total accumulated depreciation & amortization	<u>(16,594,423)</u>	<u>(1,117,027A</u>	<u>72,095</u>	<u>-</u>	<u>@17,639,355A</u>
Total capital assets, being depreciated & amortized, net	<u>19,194,790</u>	<u>@471,36 .A</u>	<u>(616)</u>	<u>175,730</u>	<u>18,896,536</u>
Business-type activities capital assets, net	<u>K 20,477,499</u>	<u>K @922,890A</u>	<u>K (616)</u>	<u>K -</u>	<u>K 20,054,003</u>

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

Governmental activities:

General government	K 62,523
Public safety	290,929
Physical environment	105,367
Culture and recreation	144,721
Total depreciation expense - governmental activities	<u>K 603,540</u>

Business-type activities:

Water and sewer	K 705,564
Airport	316,065
Solid waste	95,398
Total depreciation & amortization expense # business-type activities	<u>K 1,117,027</u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@9A **Capital Assets:** (Continued)

At September 30, 10"0 the City had the following outstanding construction commitments in business-type activities.

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to September 30, 2010</u>	<u>Commitment</u>
Water and Sewer Fund			
Wastewater Treatment Plant Improvement	K 158,838	K 260,161	K -
Water line extension	146,694	137,018	9,676
U.S. 27 North widening	150,000	42,793	107,207
	<u>K \$55,532</u>	<u>K 439,972</u>	<u>K 116,883</u>
Airport Fund			
Airport drainage	K 2,577,182	K 215,.90	K 2,361,292
Corporate Hangar B	250,000	18,005	231,995
	<u>K 2,827,182</u>	<u>K 123,895</u>	<u>K 2,592,1.-</u>

At September 30, 10"0, 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>
Memorial Field Concession	K 112,000	K 9,850	K 102,150
TEA21 Streetscape	405,000	365,518	39,482
	<u>K 517,000</u>	<u>K 375,368</u>	<u>K 141,632</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

@\$A Long-Term Liabilities:

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2010, is as follows:

	Balance October 1, 2009	Additions	Principal Payments	Balance September 30, 2010	Due Within One Year
<u>Governmental activities</u>					
Notes payable	K 1,371,366	K -	K 202,460	K 1,168,906	K 211,037
Compensated absences	358,570	289,550	282,399	265,721	265,721
Other post-employment benefits	-	26,908	-	26,908	-
Governmental activity long-term liabilities	<u>K 1,729,936</u>	<u>K 316,458</u>	<u>K 584,859</u>	<u>K 1,961,528</u>	<u>K 476,758</u>
<u>Business-type activities</u>					
Notes payable	K 796,620	K -	K 396,948	K 399,672	K 112,980
Revenue bond	3,585,000	-	965,000	3,100,000	480,000
Landfill closure	791,517	-	-	791,517	26,460
Deferred revenue	706,202	17,630	45,000	678,832	45,000
Compensated absences	103,144	82,487	68,938	116,693	68,938
Other post-employment benefits	-	10,850	-	10,850	-
Business-type activity long-term liabilities	<u>K 5,982,483</u>	<u>K 110,967</u>	<u>K 975,882</u>	<u>K 5,117,567</u>	<u>K 733,378</u>

The following notes payable and revenue bonds payable were outstanding at September 30, 2010:

Governmental Activities Notes and Bonds Payable:

\$1,910,000 revenue bond 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.

K 1,060,000

\$376,000 with a fixed interest rate equal to 4.4%, dated January 22, 2007, with a final payment due January 22, 2011. Beginning February 22, 2007, payments are due in monthly installments of \$7,021, including interest, until maturity date, secured by a fire truck.

108,906

Total Governmental Activities Notes Payable

K 1,168,906

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@\$A **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>	185,445
<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>	51,991
<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>	87,386
<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. Repayment of draws is semiannual for 20 years beginning March 15, 2010.</p>	74,853
<p>Total Business-type Activities Notes Payable</p>	<div style="border-top: 1px solid black; border-bottom: 3px double black;"> K 399,675 </div>

Business-type Activities Revenue Bond:

<p>\$5,750,000 in Water and Sewer Refunding Revenue Bonds, Series 2003 due in annual installments ranging from \$585,314 to \$589,720, including interest, through December 1, 2015; interest ranges from 1.05% to 3.8%; collateralized by a pledge of water and sewer revenue.</p>	<div style="border-top: 1px solid black; border-bottom: 3px double black;"> K 3,120,000 </div>
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CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@\$A **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
10" "	K 211,037	\$ 54,594	\$ 1,100	\$ 147,139
10" 1	162,000	45,008	586,084	117,781
10" 2	145,000	37,750	553,771	98,029
10" 9	150,000	30,188	537,596	78,361
10" \$	100,000	11,050	558,264	58,107
10" * # 1010	290,000	10,000	642,652	69,038
2021 - 101\$	-	-	98,328	3,213
	K 1,168,906	\$ 207,703	\$ 3,519,675	\$ 571,668

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

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

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

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

Loan Covenants for Governmental Activities - Street Improvement Revenue Bond

Average actual receipts over the most recent two year period of non ad valorem revenues must cover projected maximum annual debt service payments by at least 1.5 times. For the purposes of this covenant, the maximum annual debt service requirement for all debt secured by and payable from non ad valorem revenues is limited to 20% of governmental fund revenues (defined as general fund, special funds, debt service fund and capital project funds), exclusive of (i) ad valorem revenues restricted to debt service on any debt and (ii) any debt proceeds. Actual required debt service on all debt secured by non ad valorem revenues or, 15% of the original par value of all debt secured by non ad valorem revenues.

During the year the City met the rate covenant requirement described in the preceding paragraph.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@*A 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 is 791,517 as of September 30, 2010, which is based on an estimated *. percent usage (filled) of the landfill. It is estimated that an additional liability of K372,000 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 @K1,164,000) 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, 2010. 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, 2010, the City has escrowed K368,174 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.

Subsequent to September 30, 2010, the FDEP approved a change in the type of permit covering the landfill. Additional information on this subsequent event is detailed at 5ote 1\$.

@-A Other Post Employment Benefits:

The City of Avon Park does not offer a postemployment benefit plan to its employees. However, Florida State 112.0801 requires that public employers offer health insurance benefits at the current group rates to retirees (at their own expense) from the date of retirement. This requirement creates an implicit rate subsidy that falls under the requirements of GASB 43 and 45. The City of Avon Park is a phase 3 government as defined by GASB 43, and as such, is required to implement this statement for periods beginning after December 15, 2008 (fiscal year 2010). Effective for fiscal year 2010, the City implemented GASB Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)" prospectively (no beginning Net OPEB Obligation).

Plan Description R The City of Avon Park administers a single-employer defined benefit healthcare plan (the "Retiree Benefit Plan"). The plan provides postemployment healthcare benefits through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through City policy as approved by City Council. The Retiree Benefit Plan does not issue a publicly available financial report. As of October 1, 2009, the most recent actuarial valuation date, the Plan had approximately 87 active participants and 1 retiree receiving benefits.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

@-A **Other Post Employment Benefits:** (Continued)

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

Funding Policy R Contribution requirements are set by City policy as approved by City Council. Retired and active participants pay 100% of the active employee premium, net of any Florida Retirement System Benefits. The City pays additional premiums in excess of active employee rates on behalf of retired participants. In fiscal year 2010, the City made no contributions to the plan.

Annual OPEB Cost and Net OPEB Obligation—The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation. Because fiscal year 2010 is the first year of implementation of GASB Statement 45, the OPEB obligation at the beginning of the year is zero and the OPEB cost (expense) is equal to the ARC.

Annual required contribution (ARC)	K	55,659
Interest on net OPEB obligation		-
Adjustment to the ARC		-
Annual OPEB Cost		55,659
Contributions made		(17,901)
Increase in net OPEB obligation		37,758
Net OPEB obligation, beginning of year		-
Net OPEB obligation, end of year	K	37,758

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ending	Annual OPEB Cost	City Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$55,659	\$17,901	32.2%	K37,758

Funded Status and Funding Progress—As of October 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was K369,847, all of which was unfunded (or 0% funded). Covered payroll is not applicable and therefore unfunded actuarial accrued liability as a percentage of covered payroll is not applicable as well. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits (only one year presented in this year of implementation).

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

@ - A **Other Post Employment Benefits:** (Continued)

Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the October 1, 100/ actuarial valuation, the Entry Age Normal (level % of pay) actuarial cost method was used.

The actuarial assumptions included a 4.5 percent investment rate of return (discount rate) and an annual health care cost trend rate of 8 percent initially (10"0), reduced by decrements of 1 percent per year until reaching an ultimate trend rate of 5 percent in 10"2. The unfunded actuarial liability is being amortized over a closed 30 year period using a level percentage of payroll with an assumption that payroll increases by \$ percent per year for Fire Employees and no increases for Police and General Employees. The remaining amortization period at September 30, 10"0, was thirty years.

(8) **Risk Management:**

Risk Pool

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

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

@ / A **Interfund Receivables and Payables:**

Individual interfund receivable and payable balances at September 30, 2010 were as follows:

Receivable Fund	Payable Fund	Amount
Solid Waste Fund	Airport Fund	K 403,038
Pension Trust Funds	General Fund	28,203

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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

①OA Transfers:

Transfers during the year ended September 30, 2010 consisted of the following:

Transfers In:						
		General Fund			Water and Sewer	CRA Funds
Transfers From:						
General Fund	K	-	K	-	K	152,924
Infrastructure		-		182,329		-
Solid Waste Fund		50,000		-		-
	K	50,000	K	182,329	K	152,924

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.

①" A Fund Equity:

Reservations of fund balances at September 30, 2010 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

@ 1A **Employee Retirement Systems and Pension Plans:** (Continued)

Firefighters' Retirement System (FFRS)

Plan Description

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

Funding Policy and Annual Pension Cost

The City Council establishes and may amend the contribution requirements of plan members. The City, taking into account the state contribution, is required by city ordinance and state statutes to make additional contributions to fund the pension plans on an actuarially sound basis and at a minimum must contribute 5 percent of employee compensation. The amounts contributed by the State to the PORS represents the City's portion of an .85 percent tax on all premiums collected on casualty insurance policies on property within the City and for the FFRS is a 1.85 percent tax on all premiums collected on property insurance policies covering property within the City. The City, for 10"0 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, 2010 is as follows:

	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>
Contribution rates:		
City	2.5%	\$.9%
Plan members	5.0%	5.0%
Actuarial valuation date	10/1/00	10/1/00
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level N of pay, closed
	10 / years as of	
Remaining amortization period	10/1/00 /	1 / years as of 10/1/2009
Asset valuation method	4 Year Smooth	4 Year Smoothed Market
Actuarial assumptions:		
Investment rate of return *	8.0%	8.0%
Projected salary increases *	6.0%	6.0%
* Includes inflation at	3.0%	3.0%
Post retirement cost of living adjustments	3.0%	3.0%

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

@ 1A Employee Retirement Systems and Pension Plans: (Continued)

	Year Ended September 30		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation (Asset)
Police Officers' Retirement System	100/	K	146,480	98N	K	(103,185)
	2008		186,591	"**N	@ "0*, " - *A	
	100-		"1-,0""	"99N	@ -6,291A	
Firefighters' Retirement System	100/	K	"18,493	//N	K	(63,937)
	2008		113,834	"19N		(65,028)
	100-		96,550	"0-N		(38,194)

Funding Policy and Annual Pension Cost

The funded status of each plan as of September 30, 10"0, the most recent actuarial valuation date (October 1, 2009A, 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	K 3,254,690	K 4,322,855	K 1,068,165	75.29N	K 738,380	144.66N
Police	5,172,660	5,147,485	@25,175A	100.49	967,184	@2.60%)

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** R 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** R 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 10"0.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

@ 1A **Employee Retirement Systems and Pension Plans:** (Continued)

(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 \$ / -, \$9" 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 "0 year period prior to implementation or at the transition date for adopting this Statement for any of the City's plans.

The actuarially determined net pension obligation (NPO) (asset) for the plans at the end of 100/ are approximately as follows:

	Police Officers- Retirement System	Firefighters- Retirement System
Actuarially Required Contribution (ARCA	\$ 143,488	\$ 116,308
Interest on NPO	(8,494)	(5,202)
Adjustments to ARC	11,486	7,387
Annual Pension Cost	146,480	118,493
Contributions Made	143,489	117,402
Decrease in NPO	2,991	1,09"
NPO (Asset) Beginning of Year	(106,176)	(65,028)
NPO (Asset) End of Year	\$ @103,185)	\$ @63,937)

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 863-9\$1-4400.

Florida Retirement System (FRS)

Plan Description D 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 212/ /-1560, or by calling 1-850-488-6491.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

@ " 1A **Employee Retirement Systems and Pension Plans:** (Continued)

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 age applied to employee salaries as follows: regular employees # 10.77% and drop # 12.25%. The City's contributions made during the years ended September 30, 2010, 2009, and 2008, were \$37,855, \$57,128, and \$65,681, 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.

Defined Contribution Plan

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

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

The City's payroll for the year ended September 30, 2010 for eligible employees participating in the plan was \$1,486,232. The City's total payroll for all employees was \$3,792,062.

As of September 30, 2010, the City's contributions to the plan were \$99,508 on behalf of the 5. employees participating. The total required and voluntary employee contributions to the plan amounted to \$32,177.

(13) **Deficits:**

The Airport Fund has an unrestricted net assets deficit of \$1,051,821 at September 30, 2010. This deficit is primarily due to investment by the City in the airport's capital assets, and operating expenses exceeding operating revenues.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

@ "9A 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, 2010 the city received rent revenue from operating leases of \$233,754.

The following is a schedule for the next five years of minimum future rent revenues from non-cancelable operating leases as of September 30, 2010:

<u>Year Ending September 30</u>	<u>Amount</u>
2010	\$ 1,596
2011	6,297
2012	94,074
2013	22,567
2014	11,800

At September 30, 2010 the value of buildings held for leasing was as follows:

Buildings and hangars	
Cost	\$ 3,624,858
Accumulated depreciation	(1,059,339)
Net book value	<u>\$ 2,565,519</u>

The City has entered into a lease with a tenant on October 1, 2003 which expires on September 30, 2013, unless extended. The City has granted three options to renew for additional terms of 10 years each. The City also agreed to allow tenant to offset against rent due by 100% of the general improvements and 65% of the tenant use specific improvements made to the premises during the first ten (10) year lease term, including cost of engineering and financing. Said improvements, engineering and financing shall be prorated over the initial ten year term of the lease, but shall offset not more than \$45,000 of the rent per year. If tenant is unable to recoup its investments during the initial term, this offset shall continue into successive option terms, if said options are exercised. Any rental reduction for tenant specific improvements will not begin until the second term. To date \$25,292, \$150,540, and \$28,000 of general improvements, tenant specific improvements, and financing costs, respectively, were available for rental offsets in the future. At September 30, 2010, \$678,832 is reported in the Airport fund as deferred revenue in connection with the rental offsets available to use in the future by the tenant.

@ "SA Subsequent Event:

Effective December 26, 2010, the FDEP approved a change to the City's landfill permit. The landfill permit in effect until December 26, 2010 was a general landfill permit, which requires a restriction on funds to cover 30 years of postclosure maintenance. The new permit is a yard waste facility permit, which only requires a restriction on enough funds to cover 60 days of postclosure maintenance. The amount restricted for landfill postclosure maintenance at September 30, 2010 of \$368,174 was reclassified as unrestricted cash and the related \$791,517 liability was removed as of December 26, 2010.



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**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PENSION AND OPEB FUNDING PROGRESS
SEPTEMBER 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) ? Entry Age Normal (b)	Unfunded AAL (uaal) (b<a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll ((b<a)/c)
Firefighters' Retirement Trust						
"OLO"LO9	K 2,363,295	K 2,601,933	K 238,638	90.83%	K 617,694	38.63%
10/01/05	2,559,504	3,138,324	578,820	81.56%	608,202	95.17%
"OLO"LO*	2,798,112	3,464,093	665,981	80.77%	660,315	100.86%
"OLO"LO-	3,131,140	3,784,277	653,137	82.74%	690,352	94.61%
10/01/08	3,370,070	4,129,874	759,804	81.60%	738,078	102.94%
10/01/09	3,254,690	4,322,855	1,068,165	75.29%	738,380	144.66%
Police Officers' Retirement Trust						
"OLO"LO9	K 3,543,135	K 3,543,135	K -	100.00%	K 994,853	0.00%
10/01/05	3,916,363	3,916,363	-	100.00%	953,822	0.00%
"OLO"LO*	4,416,529	4,416,529	-	100.00%	976,594	0.00%
"OLO"LO-	4,939,711	4,519,021	(420,689)	109.31%	1,051,409	-40.01%
10/01/08	5,101,456	4,939,141	(162,315)	103.29%	1,041,764	-15.58%
10/01/09	5,172,660	5,147,485	K (25,175)	100.49%	K 967,184	-2.60%
Other Post Employment Benefit Plan						
10/01/09	K -	K 369,847	K 369,847	0.00%	N/A	N/A

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND
OTHER CONTRIBUTING ENTITIES
SEPTEMBER 30, 2010**

Firefighters' Retirement System

Year Ended September 30		Annual Required Contribution		City Contribution		State ContributionJ	Percentage Contributed
1009	K	75,396	K	45,617	K	29,779	100%
100\$		112,120		98,172		36,339	120%
100*		120,684		91,402		37,674	108%
100-		134,224		103,553		37,674	105%
100.		151,089		140,668		37,674	118%
2009		15*,121		11.,49.		37,674	100%
2010		1-*,165		190,034		37,096	101%

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

Police Officers' Retirement System:

Year Ended September 30		Annual Required Contribution		City Contribution		State ContributionJJ	Percentage Contributed
1009	K	182,820	K	140,531	K	42,290	100%
100\$		201,822		159,532		42,290	100%
100*		215,976		176,952		59,657	110%
100-		186,668		183,301		59,657	130%
100.		244,097		216,425		59,657	113%
2009		201,391		143,48.		57,903	100%
1010		223,01\$		1**,953		\$*,0-1	100%

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

Other Post Employment Benefit Plan

Year Ended September 30		Annual Required Contribution		City Contribution		Percentage Contributed
1010	K	55,659	K	17,901		32%



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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, 2010.

CITY OF AVON PARK, FLORIDA
COMBINING SCHEDULE OF DEPOSITS AND WITHDRAWALS
CRA FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Community Redevelopment Agency - Main Street Fund	Community Redevelopment Agency - South Side Fund	Community Redevelopment Agency - Airport Fund	Total CRA Funds
Revenues				
Tax increment revenues:				
Avon Park	\$ 97,387	\$ 33,430	\$ 22,107	\$ 152,924
Highlands County	117,703	40,403	26,719	184,825
Investment income	-	-	-	-
Fines and forfeitures	3,721	-	-	3,721
Total revenues	<u>218,811</u>	<u>73,833</u>	<u>48,826</u>	<u>341,470</u>
Expenditures				
Personal services	-	-	175	175
Professional services	20,806	16,800	10,379	47,985
Miscellaneous	27,073	2,326	764	30,163
Repairs and maintenance	16,454	-	-	16,454
Grants and subsidies	35,623	21,745	-	57,368
Capital projects	1,647	21,587	-	23,234
Transfers to other funds	-	-	-	-
Total expenditures	<u>101,603</u>	<u>62,458</u>	<u>11,318</u>	<u>175,379</u>
Excess (deficiency) of revenues over expenditures	<u>117,208</u>	<u>11,375</u>	<u>37,508</u>	<u>166,091</u>
Fund balances, beginning of year	293,894	53,456	96,759	444,109
Fund balances, end of year	<u>\$ 411,102</u>	<u>\$ 64,831</u>	<u>\$ 134,267</u>	<u>\$ 610,200</u>

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

**CITY OF AVON PARK, FLORIDA
 COMBINING SCHEDULE OF PLAN NET ASSETS
 PENSION TRUST FUNDS
 SEPTEMBER 30, 2010**

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
Assets			
Interest and dividend receivable	\$ 22,401	\$ 16,175	\$ 38,576
Due from other funds	14,306	13,897	28,203
Contributions receivable from employees	-	1,278	1,278
Investments:			
Short-term money market funds	386,068	268,279	654,347
U.S. Government agencies and securities	466,427	90,284	556,711
Mortgage backed securities	306,751	-	306,751
Corporate, municipal, and foreign bonds	1,094,284	630,696	1,724,980
Corporate equity securities	2,571,282	2,022,181	4,593,463
Total assets	<u>4,861,519</u>	<u>3,042,790</u>	<u>7,904,309</u>
Liabilities	-	-	-
Net assets held in trust for pension benefits	<u>\$ 4,861,519</u>	<u>\$ 3,042,790</u>	<u>\$ 7,904,309</u>

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

CITY OF AVON PARK, FLORIDA
COMBINING SCHEDULE OF STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
Additions			
Contributions			
Employees' contributions	\$ 51,317	\$ 37,796	\$ 89,113
Employer's contributions	166,953	140,034	306,987
State contributions	56,072	41,469	97,541
Total contributions	<u>274,342</u>	<u>219,299</u>	<u>493,641</u>
Investment earnings (loss)			
Net increase in investments	392,657	317,544	710,201
Investment expense	(32,909)	(26,739)	(59,648)
Net investment earnings (loss)	<u>359,748</u>	<u>290,805</u>	<u>650,553</u>
Total additions	<u>634,090</u>	<u>510,104</u>	<u>1,144,194</u>
Deductions			
Benefits	226,841	132,299	359,140
Administrative expenses	56,219	52,790	109,009
Total deductions	<u>283,060</u>	<u>185,089</u>	<u>468,149</u>
Change in Net Assets	<u>351,030</u>	<u>325,015</u>	<u>676,045</u>
Net assets held in trust for pension benefits, beginning of year	4,510,489	2,717,775	7,228,264
Net assets held in trust for pension benefits, end of year	<u>\$ 4,861,519</u>	<u>\$ 3,042,790</u>	<u>\$ 7,904,309</u>

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



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LIEUTENANT JOHN HARLAN HUTCHINSON
U. S. Naval Air Force
World War II, Pacific Theatre



SERGEANT JOHN SCOTT DAVIDSON
(Grandson of soldier above)
US Marine Corps 2004 - 2008
Operation Iraqi Freedom - 2 tours

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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	-\$ # .0
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	." # .9
Debt Capacity These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	.\$ # .-
The table which concerns computation of legal debt margin is omitted because the Constitution of the State of Florida, Section 200.181, Florida Statutes, and the City of Avon Park set no legal debt limit.	
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	. . # ./
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	/0 # /2

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 Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Governmental activities							
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	\$ 8,535,019
Restricted	1,307,867	1,087,382	738,326	581,465	2,666,359	2,893,280	2,643,382
Unrestricted	1,493,764	3,180,448	3,138,896	2,025,269	364,102	1,023,385	1,519,980
Total governmental activities net assets	\$ 6,754,128	\$ 7,616,061	\$ 8,402,472	\$ 9,488,740	\$ 9,969,737	\$ 11,891,789	\$ 12,698,381
Business-type activities							
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	\$ 16,667,811
Restricted	-	-	33,222	196,897	1,452,902	1,568,973	1,450,841
Unrestricted	1,703,160	1,237,761	226,135	(130,410)	(1,444,248)	(1,611,442)	(19,139)
Total business-type activities net assets	\$ 9,626,835	\$ 10,385,669	\$ 11,087,301	\$ 13,953,617	\$ 15,266,918	\$ 16,209,138	\$ 18,099,513
Primary government							
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	\$ 25,202,830
Restricted	1,307,857	1,087,382	771,548	778,362	4,119,261	4,462,253	4,094,223
Unrestricted	3,196,924	4,418,209	3,365,031	1,894,859	(1,080,146)	(588,057)	1,500,841
Total primary government net assets	\$ 16,380,963	\$ 18,001,730	\$ 19,489,773	\$ 23,442,357	\$ 25,236,655	\$ 28,100,927	\$ 30,797,894

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 Seven Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses							
Governmental activities							
General government	\$ 1,067,760	\$ 1,412,143	\$ 696,838	\$ 839,227	\$ 839,831	\$ 635,939	\$ 686,201
Public Safety	3,593,563	3,699,731	4,113,474	4,425,156	4,413,416	3,449,934	3,748,882
Highways and streets	479,592	536,904	617,352	655,262	671,528	601,986	651,747
Economic development	-	732,136	77,400	253,856	167,557	208,495	153,723
Culture and recreation	658,053	32,858	899,661	880,605	803,476	682,083	630,786
Interest on long-term debt	95,172	94,974	84,037	83,058	82,976	73,011	66,204
Total governmental activities expenses	5,894,140	6,508,746	6,488,762	7,137,164	6,978,784	5,651,448	5,937,543
Business-type activities:							
Water/Sewer	2,752,836	2,756,078	2,944,524	3,139,165	3,249,266	2,879,831	2,742,031
Airport	287,579	618,533	477,787	421,861	669,003	578,119	611,963
Solid Waste	1,058,188	1,257,198	1,183,211	1,240,404	1,226,273	1,132,480	1,089,288
Total business-type activities expenses	4,098,603	4,631,809	4,605,522	4,801,430	5,144,542	4,590,430	4,443,282
Total primary government expenses	\$9,992,743	\$11,140,555	\$ 11,094,284	\$ 11,938,594	\$ 12,123,326	\$ 10,241,878	\$ 10,380,825
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 16,371	\$ 11,660	\$ 82,977	\$ 8,325	\$ 14,591	\$ 15,187	\$ 86,729
Public Safety	739,805	760,837	778,784	979,019	984,644	1,046,369	1,005,837
Physical environment	414,368	53,598	41,763	62,609	65,809	42,480	75,795
Culture and recreation	32,373	37,720	41,941	50,470	60,683	44,434	46,059
Other activities	-	-	5,000	-	-	-	-
Operating grants and contributions	599,777	868,975	390,049	568,588	541,911	580,802	573,842
Capital grants and contributions	383,247	182,119	432,888	640,221	208,786	1,086,493	271,478
Total governmental activities program revenues	2,185,941	1,914,909	1,773,402	2,309,232	1,876,424	2,815,765	2,059,740
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	4,225,405
Airport	183,507	194,709	285,978	222,695	340,169	209,192	249,971
Solid Waste	1,162,145	1,345,082	1,383,152	1,408,396	1,396,364	1,378,084	1,386,851
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	309,868
Total business-type activities program revenues	4,416,319	4,767,697	5,449,972	7,650,382	6,232,220	5,682,481	6,172,095
Total primary government program revenues	\$ 6,602,260	\$ 6,682,606	\$ 7,223,374	\$ 9,959,614	\$ 8,108,644	\$ 8,498,246	\$ 8,231,835

(continued)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net(expenses)/revenue:							
Governmental activities	\$ (3,708,199)	\$ (4,593,837)	\$ (4,715,360)	\$ (4,827,932)	\$ (5,102,360)	\$ (2,835,683)	\$ (3,877,803)
Business-type activities	317,716	135,888	844,450	2,848,952	1,087,678	1,092,051	1,728,813
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>	<u>\$ (2,148,990)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities							
Taxes							
Property taxes	\$ 1,170,357	\$ 1,294,265	\$ 1,392,361	\$ 1,763,855	\$ 1,648,599	\$ 1,556,117	\$ 1,511,158
Sales taxes	802,563	872,168	984,435	914,793	805,855	705,949	680,232
Services taxes	314,991	338,835	351,368	355,120	342,411	295,172	288,106
Franchise taxes	393,308	439,844	512,342	532,044	516,410	583,896	594,631
Utility taxes	535,688	566,589	600,294	625,394	620,803	651,671	759,168
Insurance Proceeds	-	437,687	-	-	-	-	-
Unrestricted intergovernmental revenue	814,231	1,271,508	1,334,717	1,275,182	1,113,046	991,412	963,877
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)	3,065
Miscellaneous	12,292	5,329	6,822	29,244	82,966	70,251	16,487
Transfers	107,506	160,508	203,570	82,399	50,000	(91,529)	(132,329)
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>	<u>4,684,395</u>
Business-type activities:							
Insurance Proceeds	-	758,683	-	-	-	-	-
Investment earnings	45,974	33,246	60,752	112,783	56,056	(25,412)	(24,656)
Gain (Loss) on Sale of Capital Assets	-	(8,475)	-	(13,020)	-	-	-
Miscellaneous	-	-	-	-	162,097	88,064	53,889
Transfers	(107,506)	(160,508)	(203,570)	(82,399)	(50,000)	91,529	132,329
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>	<u>161,562</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>	<u>\$ 4,845,957</u>
Change in Net Assets							
Governmental activities	462,809	861,933	786,411	882,107	212,668	1,922,052	806,592
Business-type activities	256,184	758,834	701,632	2,866,316	1,255,831	1,246,232	1,890,375
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>	<u>\$ 2,696,967</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 Eight Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Service Tax	Franchise Tax	Utility Tax	State Shared Revenues	Total
2004	\$ 1,170,357	\$ 802,563	\$ 314,991	\$ 393,308	\$ 535,688	\$ 814,231	\$ 4,031,138
2005	1,294,265	872,168	338,835	439,844	566,589	1,271,508	4,783,209
2006	1,392,361	984,435	351,368	512,342	600,294	1,334,717	5,175,517
2007	1,763,855	914,793	355,120	532,043	625,393	1,275,184	5,466,388
2008	1,648,599	805,855	342,411	516,410	620,803	1,113,046	5,047,124
2009	1,556,117	705,949	295,172	583,896	651,671	991,412	4,784,217
2010	1,511,158	680,232	288,106	594,631	759,168	963,877	4,797,172

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)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	\$ 92,863	\$ 2,317,005	\$ 1,849,342	\$ 1,344,040	\$ 1,130,111	\$ 783,880	\$ 1,185,340	\$ 413,604	\$ 409,514	\$ 78,744
Unreserved	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	1,634,665
Total general fund	\$ 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	\$ 1,713,409
All other governmental funds										
Reserved	\$)	\$)	\$)	\$)	\$)	\$)	\$ 1,024,903	\$)	\$)	\$)
Unreserved, reported in:										
Special revenue fund	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	2,627,298
Total all other governmental funds	\$ 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	\$ 2,627,298

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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues									
Taxes	\$3,254,993	\$3,299,667	\$3,457,681	\$3,758,858	\$4,084,606	\$4,571,047	\$4,175,151	\$4,041,059	\$4,136,472
Licenses and permits	58,660	66,355	59,865	91,069	38,747	51,213	37,271	63,355	46,726
Intergovernmental	1,192,898	1,334,331	1,960,225	2,129,723	1,958,848	2,306,341	1,627,541	2,435,629	1,566,890
Charges for services	378,522	379,158	541,209	562,775	645,419	844,293	845,875	899,163	959,297
Fines and forfeitures	141,944	155,682	146,474	120,461	112,871	105,174	148,272	109,485	54,140
Investment earnings	122,396	52,803	15,834	68,674	114,904	124,139	134,627	(5,204)	3,065
Miscellaneous	110,298	109,951	68,155	40,934	44,079	74,903	123,189	125,844	137,056
Total revenues	5,259,711	5,397,947	6,249,443	6,772,494	6,999,474	8,077,110	7,091,926	7,669,331	6,903,646
Expenditures									
General government	533,459	499,953	1,005,279	1,349,765	637,430	794,233	708,914	649,057	672,133
Public Safety	2,780,003	3,073,836	3,377,825	3,424,835	3,826,250	4,131,301	4,272,451	3,290,335	3,462,695
Physical Environment	355,575	339,063	448,819	480,267	527,964	567,461	573,661	516,289	543,077
Economic Environment	)	)	)	32,858	774,191	738,344	167,557	542,244	489,070
Culture and recreation	452,427	494,477	558,166	626,207	77,400	394,094	665,805	208,495	153,723
Capital outlay	1,263,769	1,644,272	1,181,435	705,812	1,155,780	1,968,768	663,041	1,438,569	1,288,707
Debt service	115,411	224,456	125,372	593,268	138,821	190,005	200,601	189,109	202,495
Principal Interest	)	)	96,524	96,706	86,074	84,770	83,766	75,615	66,169
Total expenditures	5,500,644	6,276,057	6,793,420	7,309,718	7,223,910	8,868,976	7,335,796	6,909,713	6,878,069
Excess of revenues over (under) expenditures	(240,933)	(878,110)	(543,977)	(537,224)	(224,436)	(791,866)	(243,870)	759,618	25,577
Other financing sources(uses)									
Transfers in	248,320	273,000	298,000	265,000	326,144	238,556	279,915	395,534	222,924
Transfer in component units									
Transfers Out	(419,958)	(328,795)	(207,495)	(104,492)	(122,574)	(156,157)	(229,915)	(487,063)	(355,253)
Insurance Proceeds				437,687	72,129	376,900	60,938	)	14,799
Proceeds from the issuance of debt	2,041,833	)	)	461,221)))))
Total other financing sources (uses)	1,870,195	(55,795)	90,505	1,059,416	275,699	459,299	110,938	(91,529)	(117,530)
Net change in fund balances	\$1,629,262	(\$933,905)	(\$453,472)	\$522,192	\$51,263	(\$332,567)	(\$132,932)	\$668,089	(\$91,953)
Debt service as a percentage of noncapital expenditures	2.72%	4.85%	3.95%	10.45%	3.71%	3.98%	4.26%	4.84%	4.81%

City of Avon Park
Assessed Value and Estimated Actual Value if Taxable Property
*** \$ BLE 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	Total Taxable Assessed Value				
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%	
2010	371,210,845	42,150,810	171,838,539	241,523,116	5.87	516,702,069	46.74%	

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										Total Direct & Overlapping Rates	
	City of Avon Park			County			School District			Southwest FI Water District		
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage			
2001	8.2500	)	8.2500	8.5000	)	8.5000	8.7280	)	8.7280	0.6170	0.6970	26.7920
2002	7.7500	)	7.7500	8.5000	)	8.5000	8.6940	)	8.6940	0.6170	0.6970	26.2580
2003	7.7500	)	7.7500	9.0000	)	9.0000	8.7660	)	8.7660	0.6170	0.6970	26.8300
2004	7.7500	)	7.7500	9.0000	)	9.0000	8.4750	)	8.4750	0.6170	0.6970	26.5390
2005	7.7500	)	7.7500	9.0000	)	9.0000	7.8850	)	7.8850	0.6170	0.6970	25.9490
2006	7.5000	)	7.5000	8.5000	)	8.5000	7.9090	)	7.9090	0.6170	0.5970	25.1230
2007	7.5000	)	7.5000	8.5000	)	8.5000	7.6640	)	7.6640	0.6170	0.6240	24.8573
2008	6.3017	)	6.3017	7.1000	)	7.1000	7.6870	)	7.6870	0.5693	0.5346	22.1926
2009	5.8745	)	5.8745	7.1000	)	7.1000	5.2640	)	5.2640	0.0894	0.5346	18.8625
2010	5.8745	)	5.8745	7.1000	)	7.1000	7.6160	)	7.6160	0.6013	0.3770	21.5688

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**

Taxpayer	2005			2010		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Fairhaven South Inc	\$ 5,437,283		2.9737%	\$ 3,792,214	3	1.8308%
Avon Square LTD	4,428,548	2	2.4220%	4,536,083	2	2.1900%
Highlands Plaza Center LLC	3,301,990	3	1.8059%	2,307,254	5	1.1139%
Brookline Central Fla Co ET	1,929,028	4	1.0550%	1,637,343	10	0.7905%
Wayne C. Rickertt	1,792,021	5	0.9801%	2,302,542	6	1.1116%
Jarrett Properties LTD	1,494,499	6	0.8174%	2,174,107	8	1.0496%
Las Palmas Resort	1,252,551	7	0.6850%			
Florida Power Corp.	1,214,010	8	0.6640%	1,695,871	9	0.8187%
Avon Park Retail 1 LLC	1,159,012	9	0.6339%			
Wal-Mart Stores East LP	1,148,091	10	0.6279%	12,736,659		6.1491%
Estates of Grand Oaks LLC	-	-	-	2,408,225	4	1.1627%
Growing Tree Foundation	-	-	-	2,175,577	7	1.0503%
Total	\$ 23,157,033		12.6650%	\$ 35,765,875		17.2673%
Total Taxable Assessed Value	\$ 182,843,239			\$ 207,130,850		

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
*** \$BLE 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>
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%
2010	1,510,624	1,484,409	98.26%	28,690	1,513,099	100.16%

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			
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
2010	108,906	1,060,000	)	3,120,000	399,675	)	4,688,581	4.3592%	531

Note:

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

City of Avon Park, Florida
Direct and overlapping Governmental Activities Debt
*** \$BLE 11**
As of September 30, 2010

<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	67,355,000	12%	G \$ 8,082,600
Total direct and overlapping debt			<u>\$ 8,082,600</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.

G 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	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2001	2,241,640	1,367,113	874,527	146.11%))))
2002	2,057,037	1,454,948	602,089	103.20%))))
2003	2,160,293	1,569,444	590,849	101.21%	677,398	124,075	98,373	304.52%
2004	2,917,358	1,744,688	1,172,670	204.51%	802,563	125,372	96,524	361.68%
2005	2,850,837	1,856,407	994,430	175.27%	872,168	132,047	90,901	391.20%
2006	3,126,583	2,026,707	1,099,876	197.90%	984,435	138,821	84,579	440.66%
2007	3,444,393	2,235,596	1,208,797	207.59%	914,793	186,226	88,549	332.92%
2008	3,390,905	2,387,145	1,003,760	172.27%	805,855	200,601	83,766	283.39%
2009	3,477,518	2,007,773	1,469,745	250.42%	699,250	189,109	75,615	264.14%
2010	4,254,839	1,895,323	2,359,516	406.45%	683,666	202,495	66,169	254.47%

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
 * \$BLE 13
 Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median \$ e	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2001	8,917	234,098	26,253	35.8	.90	2,138	.90
2002	8,917	234,098	26,253	35.8	.90	2,138	.90
2003	8,917	234,098	26,253	35.8	.90	2,138	5.70%
2004	8,917	234,098	26,253	35.8	.90	2,138	5.70%
2005	8,917	234,098	26,253	35.8	.90	2,138	4.00%
2006	8,917	234,098	26,253	35.8	.90	2,138	4.00%
2007	9,056	274,478	30,309	50.6	.90	2,138	4.00%
2008	9,030	273,997	30,343	50.5	.90	3,949	8.30%
2009	9,033	280,962	31,104	50.0	.90	2,894	9.00%
2010	8,824	107,556	12,189	35.4	.90	2,851	12.00%

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,, U.S. Census website (fact sheet, Avon Park, Florida)

**City of Avon Park
Principal Employers
TABLE 14
Current Year 2010 and 5 Prior Years**

<u>Employer</u>	<u>2010</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	494		14.30%	439		12.80%
Wal- Mart	302	2	8.74%	-	-	-
Highlands County School Board						
Avon Park High School	99	3	2.87%	117	3	3.41%
Avon Elementary School	71	8	2.05%	91	4	2.65%
Avon Park Middle School	74	6	2.14%	88	7	2.56%
Park Elementary School	72	7	2.08%	-	-	-
City of Avon Park	91	4	2.63%	119	2	3.47%
Bill Jarrett Ford	62	9	1.79%	78	8	2.27%
Winn Dixie	80	5	2.32%	90	6	2.62%
Central Florida Health Care	60	10	1.74%	60	10	1.75%
Jahna Concrete	41		1.19%	41		1.19%
Publix	-	-	-	90	5	2.62%
Elberta Crate	-	-	-	69	9	2.01%
Total	<u>1,446</u>		<u>41.85%</u>	<u>1,282</u>		<u>37.35%</u>

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 Nine 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>	<u>2010</u>
General Government	!	!	7	7	9	10	10	10	10
Public Safety									
Police	28	28	28	29	30	28	27	26	23
Civilians								!	!
Fire									
Firefighters and officers	!	17	17	17	17	17	18	18	15
Civilians	2	2	2	2	2	5	4	4	
Highways and Streets									
Maintenance	2	2	7	7	7.5	7.5	7.5	6.5	6.5
Solid Waste	10	10	10	9	9.5	9.5	9.5	9.5	9.5
Culture and Recreation	13	13	15	15	15	17	17	17	13
Water	14	14	!	15	17	17	18	18	20
Sewer	3	3	4	4	4	4	4	!	7
Total	105	106	117	116	122	126	126	121	111

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 9 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>	<u>2010</u>
Police									
Physical arrest	1,139	1,222	1,129	946	1,021	916	583	677	672
Parking violations	8	20	23	31	23	20	32	30	9
Traffic violations	3,424	3,422	2,611	1,862	2,246	2,074	1,292	910	1,170
Fire									
Number of calls answered	1,044	1,035	1,093	1,075	1,119	1,101	1,138	1,328	1,382
Inspections	26	206	91	109	282	415	381	98	88
Highways and streets									
Street resurfacing (miles)	2.6	7.9	10.5	0.0	0.1	0.0	0.0	0.0	6.1
Potholes repaired	15	12,333	13,700	35,400	17,327	346	544	836	740
Sidewalk (miles)	27.37	27.37	27.37	27.37	27.37	27.77	27.77	27.77	27.77
Sanitation									
Refuse collected(tons/day)	29.80	23.96	48.64	45.74	40.01	42.00	51.24	32.34	34.77
Recyclables collected (tons/day)	0	0	0	0	0	0	0	0	0
Community Center									
Admissions	8,830	11,300	12,700	10,775	11,750	11,655	9,305	8,215	11,989
Water									
New connections	64	55	68	841	253	251	30	36	23
Water mains breaks	7	4	6	3	5	9	7	58	70
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	1,703,244
Wastewater									
Average daily sewage treatment (thousands of gallons)	702	704	679	606	581	565	539	519	471

Sources: Various government departments.

Note: Ten years of information is not available.

City of Avon Park
Capital Asset Statistics by Function
TABLE 17
Last 9 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>	<u>2010</u>
Public Safety									
Police:									
Stations									
Patrol Units (vehicles)	24	24	24	24	24	33	32	32	29
Fire Stations									
Sanitation									
Collection trucks	5	1	1	1	1	7	9	9	9
Highway and streets									
Streets (miles)	75.00	74.75	74.75	74.75	75.25	75.25	75.25	75.50	75.50
Streetlights	125	125	125	125	125	125	125	122	122
Traffic signals	5	5	5	5	5	5	5	5	5
Culture and recreation									
Parks acreage	30	30	30	30	30	30	30	30	30
Parks	9	9	9	9	10	10	10	10	10
Tennis courts	4	4	4	4	4	4	4	4	4
Community center									
Water									
Water mains (miles)	45	45	45	50	50	87	89	89	90
Fire hydrants	313	313	313	313	313	450	451	451	460
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	7,000,000
Sewer									
Sanitary sewers (miles)	31	31	31	31	35	35	37	37	37
Storm sewers (miles)	9.00	9.43	9.43	9.43	9.43	9.48	9.48	9.48	9.48
Maximum daily treatment capacity	1500	1500	1500	1500	1500	1500	1500	1500	1500

Sources: Various City departments.

Note: Ten years of information is not available.



KHERWAR, AFGHANISTAN 2010

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MAJOR EUGENE A. FLINT (Flinto)
U.S. Airforce
World War II - Germany
POW



CAPTAIN ROBERT JACKSON BARBEN
U. S. Air Corp
World War II

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, 2010, which collectively comprise the City of Avon Park, Florida's basic financial statements and have issued our report thereon dated May 3, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Avon Park Firefighters' Retirement System and Police Officers' Retirement System, as described in our report on the City's financial statements. The financial statements of the Avon Park Firefighters' Retirement System and Police Officers' Retirement System were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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, 10"0 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, 10"0. 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. The Finance Department was given a part time accountant in the 2011 budget. This extra person will make a major difference in the timing of reconciliations, adjustments, etc. We are preparing monthly checklists for each employee to insure all procedures and reconciliations are performed in a timely manner. We have in place year end process checklists.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below to be a significant deficiency.

Timeliness of Bank Reconciliations

Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind. We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

Management Response:

Management concurs with this finding. As stated above the Finance Department now has an additional accountant part time to help insure monthly balancing of the bank statements. This will also insure that all are prepared in a timely manner.

Compliance and Other Matters

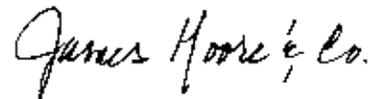
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we reported to management of the City of Avon Park, Florida in a separate letter dated May 3, 2011.

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
May 3, 2011

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 financial statements of the City of Avon Park, Florida (the City), as of and for the year ended September 30, 2010, and have issued our report thereon dated May 3, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financials audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated May 3, 2011, should be considered in conjunction with this management letter. Other auditors audited the financial statements of the Avon Park Firefighters' Retirement System and Police Officers' Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 Repeat Comment" in the accompanying Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters and as discussed below.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Avon Park, Florida has complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Our audit disclosed no matters required to be disclosed by the Rules of the Auditor General (Section 10.554(1)(i)3.):

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred or are likely to occur, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant

agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. Our audit disclosed the following matters required to be disclosed by the Rules of the Auditor General (Section 10.554(1)(i)5.):

- **Community Redevelopment Districts \$Prior Year Repeat Comment) D** 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 C.R.A. Director was hired in 2009. At the end of this year the C.R.A. plans have not been updated. The Director is currently working on updating the Plans and filing annual reports.

- **New Accounting Pronouncement—GASB No. 74 \$Prior Year Repeat Comment& D** 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:

The City of Avon Park is not required to implement GASB 54 for the new fund balance reporting until year ending 2011. We are currently working on a draft copy of the new policy.

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

Management Response:

Management concurs with this finding. Due to a change in personnel in the inventory department the items were in the inventory, but were located in a wrong area. The inventory will be test counted on a quarterly basis and reconciled with the general ledger.

- **Review of Billing Register D** During the course of our audit, we noted there was no evidence of review or approval of the primary billing register by the Billing Clerk, the Utility Billing Supervisor or the Senior Customer Account Specialist prior to the bills being mailed to customers. The primary

billing register should be reviewed by all responsible parties and the employees performing the review should sign and date the report providing evidence of review.

Management Response:

Management concurs with this finding. As of November 2010 we have a new billing and utility supervisor. She has re implemented the procedure of checking and approving the registers. The new supervisor has also implemented check lists for each utility billing employee.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. 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 City has no component units related to the entity.

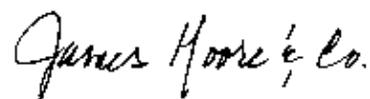
Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Avon Park, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes. Although the City of Avon Park, Florida reported deficit unrestricted net assets of K1,051,821 in its airport fund as of September 30, 2010, the City of Avon Park, Florida had unrestricted net assets in other enterprise funds, 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.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Avon Park, Florida for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Avon Park, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

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



Daytona Beach, Florida
May 3, 2011



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OUR TROOPS

