

*City of Avon Park Florida
Comprehensive Annual Financial Report*

Fiscal Year Ended September 30, 2008



CITY OF AVON PARK, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

Prepared by:

Renée A. Green, CPA
Finance Director





Avon Park Executive Airport
Fixed Base Operation Building
Constructed 2009

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CITY OF AVON PARK

Highlands County, Florida

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

March 16, 2009

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, 2008.

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 fifth year the City prepared the CAFR and the fifth 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 9,030 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 increased 3 percent in 2008. New construction accounted for \$5,824,564 additional growth in the tax base for a total of \$283,574,528 in gross value. New construction decreased 151 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 8.8 percent for the month of December 2008, which is greater than the state of Florida rate of 7.8 percent and the national rate of 7.1 percent. As of the end of January 2009 the County rate was 9.2 percent and the State of Florida was 8.6 percent. This is the highest rate in over 25 years.
- In December 2008 the State of Florida released new state revenue sharing estimates for municipalities for year 2009. The City of Avon Park will receive approx. \$157,000 less than was originally estimated in July 2008. In March 2009 new estimates are expected from the

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State and they are expected to be lower. Due to the economy revenue sharing is down due to sales tax collected and fuel taxes collected are down due to lack of sales

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

Avon Park is experiencing a downward decline in growth. The City has extended utility services to a new elementary school south of the City and will in the near future connect the City's water system in Sebring Ridge to the main system.

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 March 2009 new estimates are projecting taxable values of property will be down fifteen to twenty 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. As noted in the Management's Discussion and Analysis on page 22. A twenty percent drop in values will cause an estimated \$386,900 drop in tax revenue.

The City is taking aggressive steps to monitor the current year's budget. Planning for a lower budget amount in 2010 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. Grant funded projects which require a City match of funds will be postponed until another year.

New equipment will be purchased only in an emergency situation. Stricter accountability for all assets will be in place.

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

A hiring freeze has been in place and will continue until further notice.

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, 2008, 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, 2008, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

In addition to meeting the requirements set forth in the Florida Statutes Section 218.39, the audit also was designed to meet the requirements of *Government Auditing Standards* and Rules of the Auditor General, Chapter 10.550.

CASH MANAGEMENT

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

RISK MANAGEMENT

The City entered into an agreement with other political subdivisions to create a local government risk management pool called Public Risk Management of Florida (PRM). PRM was organized to develop and administer a protected self-insured retention program of property and casualty coverage for its member organizations. PRM provides the City with coverage for risks in the areas of property, automobile, general liability, workmen's compensation, and public officials' liability.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avon Park for its CAFR for the fiscal year ended September 30, 2007. This was the third year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,

Sarah Adelt
City Manager

Renée A. Green, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avon Park
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

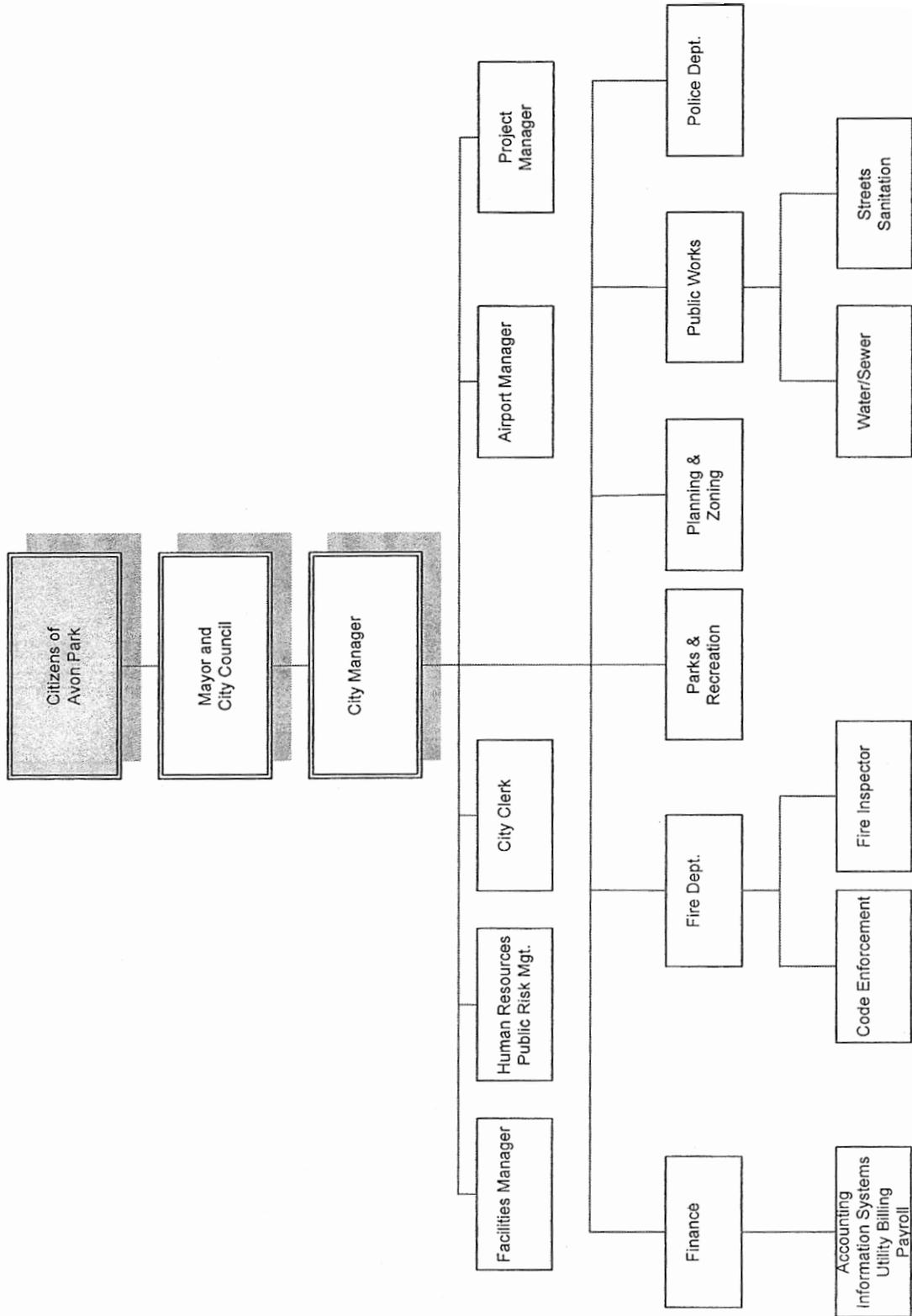
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF AVON PARK
ORGANIZATIONAL CHART



List of Principal Officials

City Council

Sharon Schuler, Mayor

George Hall, Deputy Mayor

Al Joe Hinson, Councilman

Brenda Gray, Councilwoman

Joe Wright, Councilman

City Attorney

Gerald Buhr

City Manager

Sarah Adelt

Finance Director

Renée A. Green, CPA



***Avon Park
Senior Activities Center***

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, 2008, 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 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparisons for the general, infrastructure, and CRA funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the financial statements, the fiscal year ended September 30, 2007 financial statements have been restated to correct the application of the City's revenue recognition policy for intergovernmental revenues in governmental funds.

As more fully described in Note 20 to the financial statements, subsequent to the issuance of the City's fiscal year ended September 30, 2008 financial statements and our report thereon dated March 16, 2009, we became aware that those financial statements understated assets in the Police Officers' Retirement System fund. In our original report, we expressed an unqualified opinion on the fiscal year ended September 30, 2008 financial statements, and our opinion on the revised financial statements, as expressed herein, remains unqualified.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, on our consideration of City of Avon Park, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information and management's discussion and analysis, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Avon Park, Florida's basic financial statements. The Combining Schedule of Deposits and Withdrawals – CRA Funds is presented for purposes of additional analysis as required by *Florida Statutes 163.387(8) Redevelopment trust fund* and is not a required part of the basic financial statements. The Combining Schedule of Deposits and Withdrawals – CRA Funds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section, as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Daytona Beach, Florida
March 16, 2009

Except for Note 20, as to which the date is May 22, 2009

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

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, 2008. 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 \$25,236,655. Of this amount, (\$1,080,146) (unrestricted net assets) has a negative balance due to cash deficits in the airport and water/sewer funds.
- As of the close of the current fiscal year, the City reported combined governmental ending fund balances of \$3,764,571, a decrease of \$132,932 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$652,601 or 10 percent of total general fund expenditures.
- The City's non- current liabilities decreased by \$1,226,070 (13%) during the current year. The factors in this change are principal payments of \$1,333,566 and an increase in loans payable of \$188,908, decrease in landfill closure liability of \$1,500 and a decrease in compensated absences of \$79,912.

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 - 67 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 69 - 70 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 \$25,236,655 at the close of the most recent fiscal year.

The largest portion of the City's net assets (88 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,080,146) has a negative balance due to cash deficits in the airport and water/sewer funds.

CITY OF AVON PARK'S NET ASSETS

	Governmental Activities 2007	Governmental Activities 2008	Business- type Activities 2007	Business- type Activities 2008	Total 2007	Total 2008
Current and other assets	\$4,418,439	\$ 4,183,560	\$1,869,674	\$ 1,964,730	\$6,288,113	\$ 6,148,290
Capital assets	<u>8,057,875</u>	<u>8,116,462</u>	<u>19,988,405</u>	<u>20,336,028</u>	<u>28,046,280</u>	<u>28,452,490</u>
Total assets	<u>12,476,314</u>	<u>12,300,022</u>	<u>21,858,079</u>	<u>22,300,758</u>	<u>34,334,393</u>	<u>34,600,780</u>
Long-term liabilities outstanding	2,278,241	1,976,750	7,142,230	6,217,651	9,420,471	8,194,401
Other liabilities	<u>709,333</u>	<u>353,535</u>	<u>762,232</u>	<u>816,189</u>	<u>1,471,565</u>	<u>1,169,724</u>
Total liabilities	<u>2,987,574</u>	<u>2,330,285</u>	<u>7,904,402</u>	<u>7,033,840</u>	<u>10,892,036</u>	<u>7,033,840</u>
Net assets:						
Invested in capital assets, net of related debt	6,882,006	6,939,276	13,887,130	15,258,264	20,769,136	22,197,540
Restricted	581,465	2,666,359	196,897	1,452,902	778,362	4,119,261
Unrestricted	<u>2,025,269</u>	<u>364,102</u>	<u>(130,410)</u>	<u>(1,444,248)</u>	<u>1,894,859</u>	<u>(1,080,146)</u>
Total net assets	<u>\$9,488,740</u>	<u>\$ 9,969,737</u>	<u>\$13,953,617</u>	<u>\$15,266,918</u>	<u>\$23,442,357</u>	<u>\$25,236,655</u>

CITY OF AVON PARK'S CHANGES IN NET ASSETS

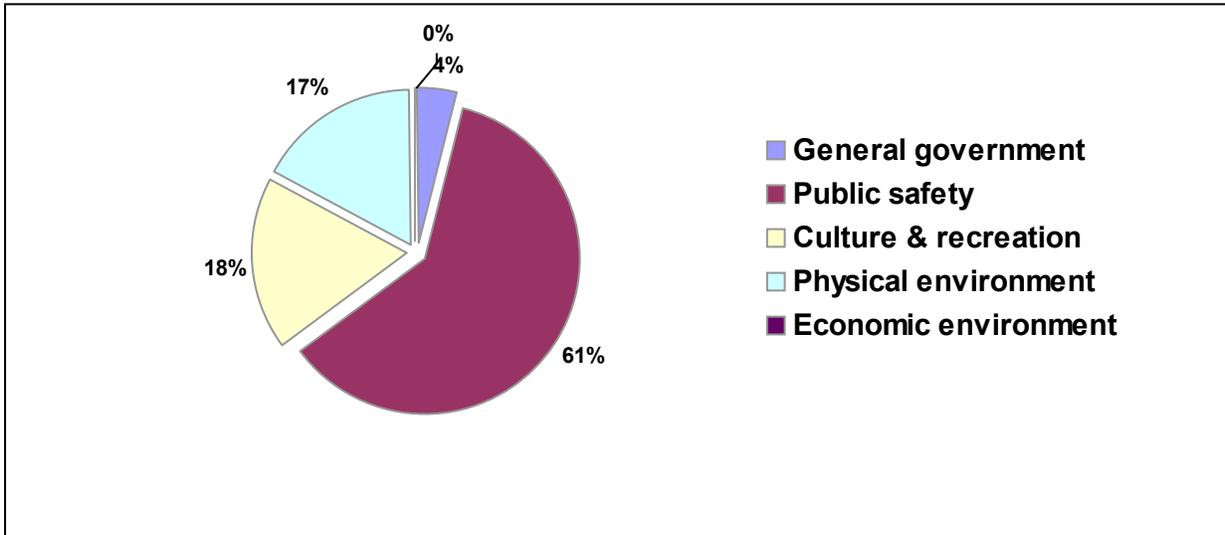
	Governmental Activities 2007	Governmental Activities 2008	Business- Type Activities 2007	Business- Type Activities 2008	Total 2007	Total 2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,100,423	\$ 1,125,727	\$5,303,635	\$ 5,031,493	\$6,404,058	\$6,157,220
Operating grants and contributions	568,588	541,911	-	-	568,588	541,911
Capital grants and contributions	640,221	208,786	2,346,747	1,200,727	2,986,968	1,409,513
General Revenues:						
Property taxes	1,763,855	1,648,599	-	-	1,763,855	1,648,599
Other taxes	2,667,611	2,285,479	-	-	2,667,611	2,285,479
Other	<u>1,196,174</u>	<u>1,330,950</u>	<u>99,763</u>	<u>218,153</u>	<u>1,295,937</u>	<u>1,549,103</u>
Total revenues	<u>7,936,872</u>	<u>7,141,452</u>	<u>7,750,145</u>	<u>6,450,373</u>	<u>15,687,017</u>	<u>13,591,825</u>
Expenses:						
General government	839,227	839,831	-	-	839,227	839,831
Public Safety	4,425,156	4,413,416	-	-	4,425,156	4,413,416
Physical Environment	655,262	671,528	-	-	655,262	671,528
Culture and Recreation	880,605	803,476	-	-	880,605	803,476
Economic Environment	253,856	167,557	-	-	253,856	167,557
Interest on long-term debt	83,058	82,976	-	-	83,058	82,976
Water/Sewer	-	-	3,139,165	3,249,266	3,139,165	3,249,266
Airport	-	-	421,861	669,003	421,861	669,003
Solid Waste	-	-	<u>1,240,404</u>	<u>1,226,273</u>	<u>1,240,404</u>	<u>1,226,273</u>
Total expenses	<u>7,137,164</u>	<u>6,978,784</u>	<u>4,801,430</u>	<u>5,144,542</u>	<u>11,938,594</u>	<u>12,123,326</u>
Increase in net assets before transfers	799,708	162,668	2,890,648	1,305,831	3,748,423	1,468,499
Transfers	<u>82,399</u>	<u>50,000</u>	<u>(82,399)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Increase in net assets	882,107	212,668	2,866,316	1,255,831	3,748,423	1,468,499
Net assets, beginning	<u>8,606,633</u>	<u>9,757,069</u>	<u>11,087,301</u>	<u>14,011,087</u>	<u>19,693,934</u>	<u>23,768,156</u>
Restated						
Net assets, ending	<u>\$9,488,740</u>	<u>\$9,969,737</u>	<u>\$13,953,617</u>	<u>\$15,266,918</u>	<u>\$23,442,357</u>	<u>\$25,236,655</u>

Governmental Activities. Governmental activities increased by \$212,668 thereby accounting for 14 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 \$5,102,360. 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 \$1,087,678.

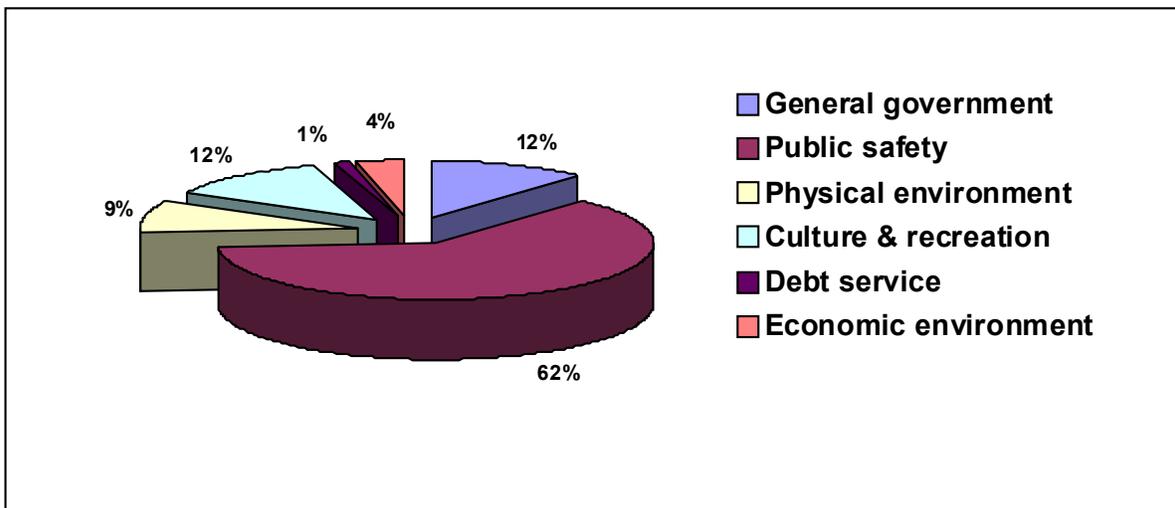
Property taxes decreased by \$115,256 (7 percent) during the year. Operating grants and contributions and capital grants and contributions decreased by \$458,112. This was due to amounts received for the TEA21 streetscape grant in the prior year of \$582,195 and the increase of public safety grant for \$60,000.

PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

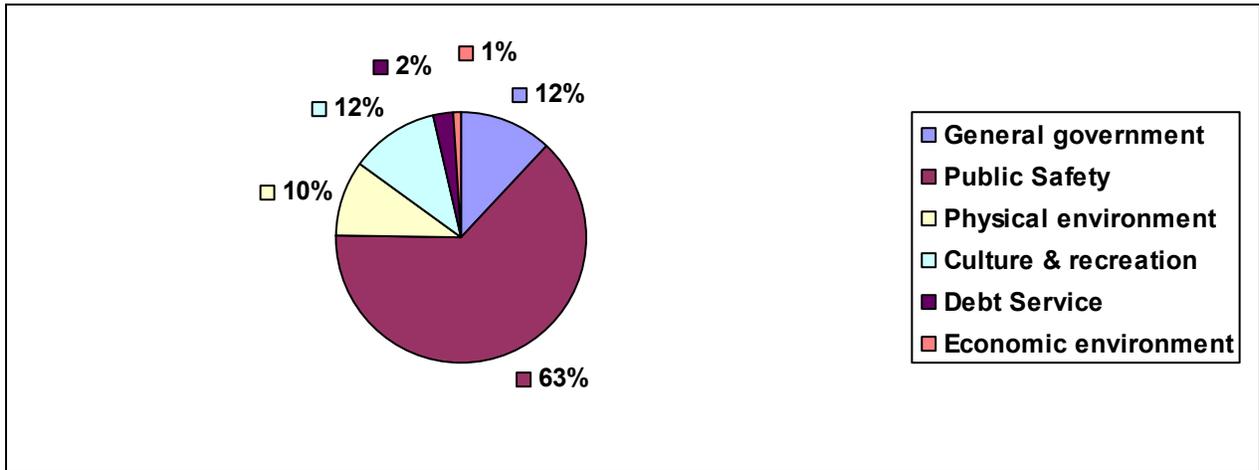


PROGRAM EXPENSES – GOVERNMENTAL ACTIVITIES

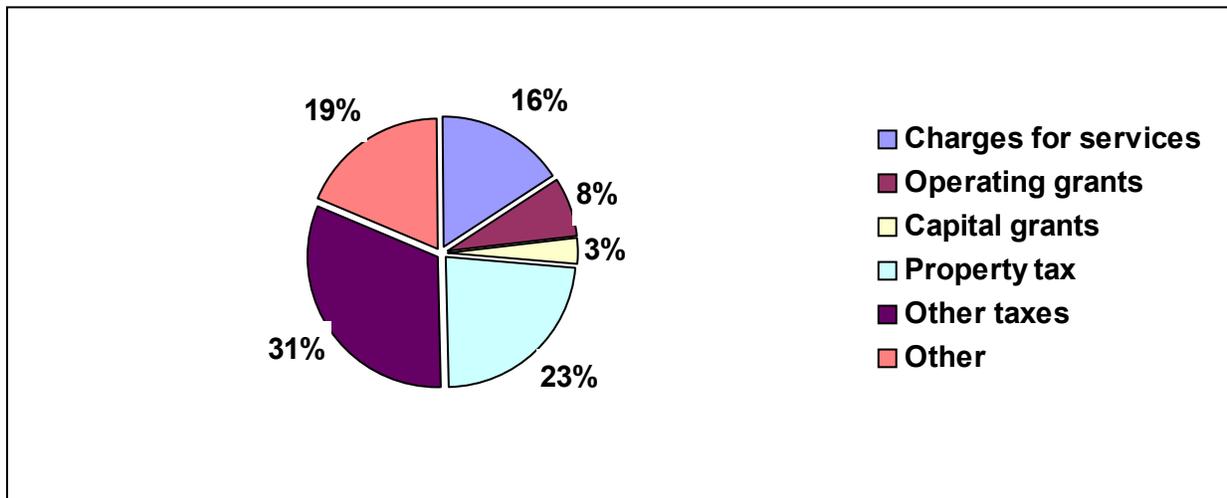
2006-07 Fiscal Year



2007-08 Fiscal Year



REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



Business-type Activities. Business-type activities account for 60 percent of the City’s net assets. The City maintains three enterprise funds: water and sewer, airport and solid waste. The water and sewer fund and solid waste fund derive income from service fees and interest. The airport revenues are derived from rental of the facilities.

Business-type activities increased the net assets by \$1,255,831. Key elements of this increase were as follows:

Charges for services for business-type activities increased by 2 percent. The airport recorded past due property taxes for the industrial building for approx. \$103,000.

Investments in capital assets, net of related debt for business-type activities increased by 10% due to increase in airport assets by \$361,079 which consist of \$98,278 in construction in progress of FBO

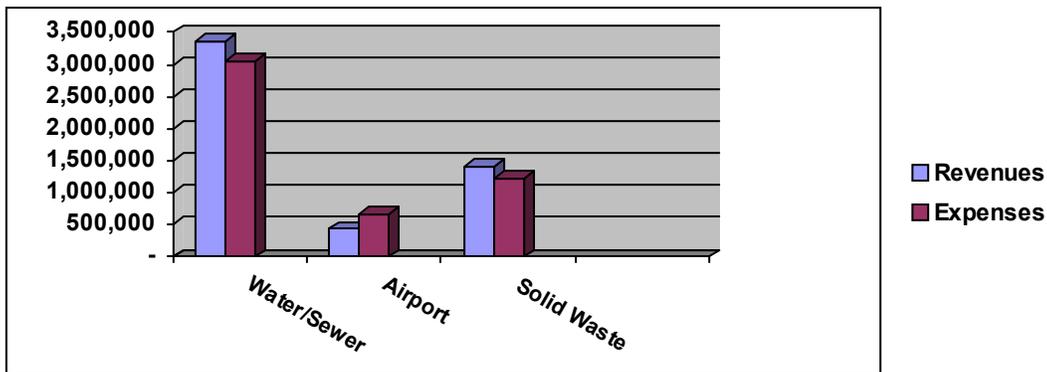
Building and \$117,487 for airport drainage project. Increase in water/sewer assets of \$871,373 for water line extension on Memorial Avenue.

The water/sewer fund has a deficit cash flow of \$1,489,511. This is an increase from prior year of \$146,799.

The Airport fund has a deficit of unrestricted net assets in the amount of \$137,726, a decrease in deficit from prior year of \$176,625 due to the funds received are invested in “capital” assets. The Airport Fund is showing an operating loss of \$220,896. Operating revenues received were not enough to cover the operating expenses.

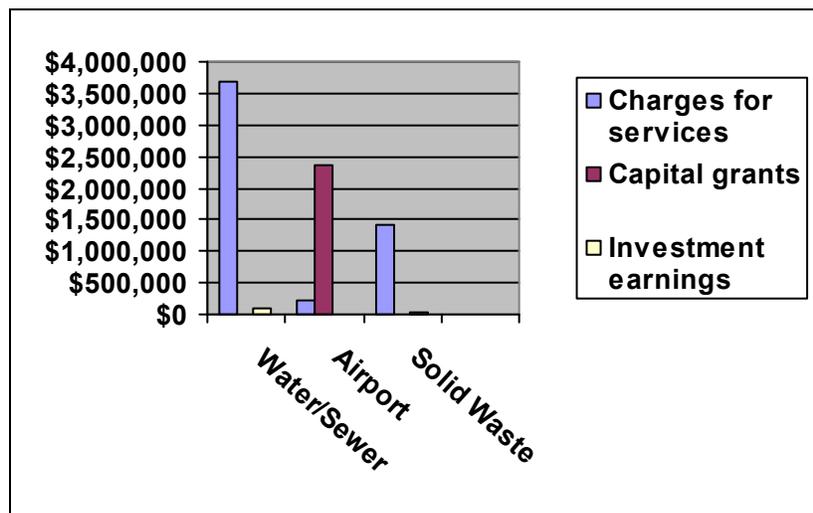
The Solid Waste Fund has an operating income of \$186,757 a decrease of \$3,000 from prior year. Operating expenses decreased by \$5,595.

EXPENSES AND PROGRAM REVENUES- BUSINESS-TYPE ACTIVITIES

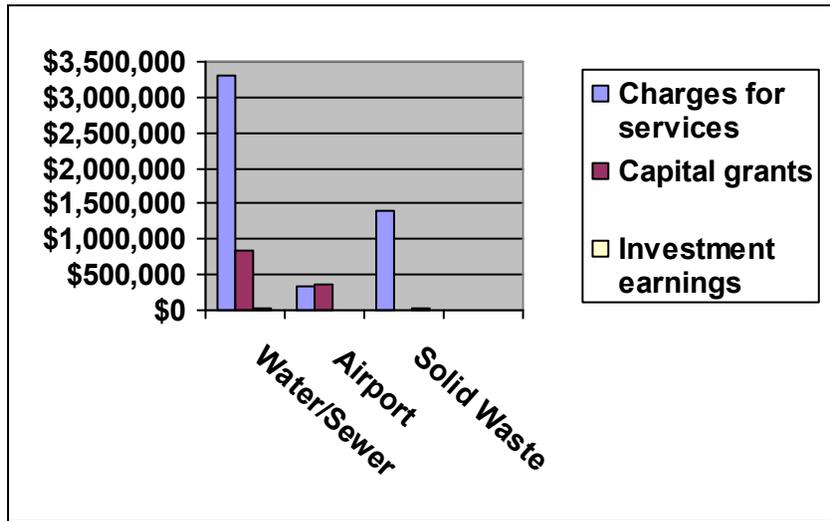


REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES

Fiscal Year 2006-07



Fiscal Year 2007-08



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending balances of \$3,764,571, a decrease of \$132,932 in comparison of the prior year. Approximately \$3,350,967, or 89 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 \$652,601 while total fund balance reached \$1,066,205. 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 10 percent of total general fund expenditures, while total fund balance represents 16 percent of that same amount.

The fund balance of the City’s general fund decreased by \$611,061 during the current fiscal year. Key factors in this decrease were due to increase in expenditures in capital outlay in current year for TEA21 Streetscape grant.

The fund balance of the City’s infrastructure fund increased by \$263,768 during the current fiscal year. Key factors in this increase were due to decrease in transfers to other funds of \$101,157. The fund balance from the prior year was restated in the amount of \$57,892 for funds received after year end.

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

Unrestricted net assets of the Water and Sewer fund at the end of the year were \$(1,803,585). The Airport fund and Solid Waste funds unrestricted net assets were \$(137,726) and \$497,063 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 \$373,490 increase in revenues and a \$514,344 increase in expenditures. These differences were as follows:

- Intergovernmental revenues increased \$180,922 due to County RPAC funds in the amount of \$75,700 and State Grants for police \$60,000 and other grants totaling approximately \$45,222.
- Miscellaneous revenues increased \$112,405 due to insurance reimbursements of \$32,102, and refund from the State of Florida on payments made for U.S. #27 Widening project.
- Public Safety expenditures increased \$138,623 due to increase of \$119,390 police salaries for payouts to dispatchers and other benefits for pay outs.
- Street Department expenditures increased \$238,726 due to increase in diesel fuel of \$21,500 and increase in bond proceeds used for street and sidewalks \$220,000.
- Culture and Recreation increased \$104,807 due to an increase in improvements for Durrah Martin Ball Field of \$75,700 and Lake Maintenance of \$16,711 and various other expenditures.
- Other Government services increased \$28,887 due to increase in storm water utility study of \$17,500 TEA21 Streetscape of \$12,000.

The general fund final budget compared to the actual revenues was higher by \$3,103,386 due to decrease in intergovernmental revenues, mainly grant revenues which were carried over to the next year. A similar difference occurred with expenditures since several street and park project were delayed.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2008 amounts to \$28,452,490 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and curbs and sidewalks. The total increase in the City's investment in capital assets for the current fiscal year was 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 \$341,253.

- Mall Restoration in the governmental funds \$33,000.
- Assets increased \$603,445 due to the improvements and restrooms to Durrah Martin Ball Field \$65,649 and the purchase of police equipment of \$154,027.
- Projects for airport improvements increased \$215,766. This included \$117,487 for a drainage project, and FBO Building \$98,273.
- Water and sewer improvements included water and sewer mains, extensions, improvements to the system, and equipment. The total additions for the year were approximately \$1,012,999. Equipment purchases were approximately \$57,555, water extension to Memorial Avenue approx. \$871,376, New water tanks at Sebring Ridge Plant approx. \$32,440, improvement to the Bell Street water plant of \$40,403 and various other improvements.

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

	Governmental Activities <u>2007</u>	Governmental Activities <u>2008</u>	Business- type Activities <u>2007</u>	Business- type Activities <u>2008</u>	Total <u>2007</u>	Total <u>2008</u>
Land	\$ 316,634	\$ 316,634	\$ 818,360	\$ 818,360	\$ 1,134,994	\$ 1,134,994
Buildings & system Machinery & Equipment	3,029,190	2,932,991	16,114,259	16,581,227	19,143,449	19,514,218
Infrastructure	1,957,221	1,772,466	2,299,496	2,335,665	4,256,717	4,108,131
Construction in progress	1,487,556	2,102,721	-	-	1,487,556	2,102,721
	<u>1,267,274</u>	<u>991,650</u>	<u>756,290</u>	<u>630,776</u>	<u>2,23,564</u>	<u>1,622,426</u>
	<u>\$8,057,875</u>	<u>\$8,116,462</u>	<u>\$19,988,405</u>	<u>\$20,366,028</u>	<u>\$28,046,280</u>	<u>\$28,482,490</u>

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

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$8,194,401. Of this amount, \$4,040,000 comprises debt secured by specific revenue sources (revenue bonds) and \$4,154,401 is for notes payable and other obligations.

CITY OF AVON PARK'S OUTSTANDING DEBT

	Governmental Activities <u>2007</u>	Governmental Activities <u>2008</u>	Business- type Activities <u>2007</u>	Business- type Activities <u>2008</u>	Total <u>2007</u>	Total <u>2008</u>
Loans payable and other obligations	\$2,278,241	\$1,976,750	\$2,657,230	\$2,177,651	\$4,935,471	\$4,154,401
Revenue bonds	-	-	<u>4,485,000</u>	<u>4,040,000</u>	<u>4,485,000</u>	<u>4,040,000</u>
Total	<u>\$2,278,241</u>	<u>\$1,976,750</u>	<u>\$7,142,230</u>	<u>\$6,217,651</u>	<u>\$9,420,471</u>	<u>\$8,194,401</u>

The City's total debt decreased \$1,226,070 (13 percent) during the current fiscal year. The City maintains an "A-" rating from Standard & Poor's.

General debt includes a loan for street improvements that is secured by a pledge of non-ad valorem revenues. The loan payable at the end of the current fiscal year is \$1,300,000.

Business-type activities debt includes the purchase of an existing water system south of Avon Park in Sebring Ridge in January 2005 in the amount of \$1,800,000. The loan payable at the end of the current fiscal year is \$550,768 in the water and sewer fund.

Additional information on the City's long-term debt can be found in Note 7 on pages 55 - 57 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 increased only 3 percent over last year.
- New construction decreased 151 percent over last year.
- The unemployment rate for the County was 8.8 percent for the month of December 2008, which is greater than the state of Florida rate of 7.8 percent and the national rate of 7.1 percent. As of the end of January 2009 the County rate was 9.2 percent and the State of Florida was 8.6 percent. This is the highest rate in over 25 years.
- In December 2008 the State of Florida released new state revenue sharing estimates for municipalities for year 2009. The City of Avon Park will receive approx. \$157,000 less than was originally estimated in July 2008. In March 2009 new estimates are expected from the State and they are expected to be lower. The economy revenue sharing is down due to amount of sales tax and fuel taxes collected.
- At the end of January 2009 the fire pension fund had lost approx. \$1,186,000 in market value. The police pension fund had lost approx. \$925,000.

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

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

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

Based on information received from the Highlands County Property Appraiser's Office, the estimated annual loss of property tax revenues for our City from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$194,255. At present, there is no accurate way to determine the impact of the portability and assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF AVON PARK, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Equity in pooled cash, cash equivalents and investments	\$ 1,851,665	\$ -	\$ 1,851,665
Accounts receivable, net	161,526	557,426	718,952
Internal balances	1,187,914	(1,187,914)	-
Due from other governments	460,797	99,080	559,877
Prepaid items	6,420	-	6,420
Inventory	-	145,348	145,348
Restricted cash and cash equivalents	400,702	2,063,549	2,464,251
Net pension asset	114,536	-	114,536
Intangible asset, net	-	109,264	109,264
Deferred charges	-	177,977	177,977
Capital assets not being depreciated:			
Land	316,634	818,360	1,134,994
Construction in progress	991,650	630,776	1,622,426
Capital assets net of accumulated depreciation:			
Buildings and system	5,035,712	16,581,227	21,616,939
Equipment	1,772,466	2,305,665	4,078,131
Total Assets	<u>\$ 12,300,022</u>	<u>\$ 22,300,758</u>	<u>\$ 34,600,780</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 333,200	\$ 171,711	\$ 504,911
Deferred revenue	20,335	-	20,335
Payable from restricted assets:			
Interest payable	-	44,238	44,238
Deposits	-	600,240	600,240
Noncurrent liabilities:			
Due within one year	540,010	958,888	1,498,898
Due in more than one year	1,436,740	5,258,763	6,695,503
Total liabilities	<u>2,330,285</u>	<u>7,033,840</u>	<u>9,364,125</u>
Net Assets			
Invested in capital assets, net of related debt	6,939,276	15,258,264	22,197,540
Restricted for:			
Infrastructure	2,141,522	-	2,141,522
Community redevelopment	500,977	-	500,977
Other	23,860	-	23,860
System improvements	-	248,735	248,735
Debt service	-	954,167	954,167
Renewal and replacement	-	250,000	250,000
Unrestricted	364,102	(1,444,248)	(1,080,146)
Total net assets	<u>9,969,737</u>	<u>15,266,918</u>	<u>25,236,655</u>
Total Liabilities and Net Assets	<u>\$ 12,300,022</u>	<u>\$ 22,300,758</u>	<u>\$ 34,600,780</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, 2008**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Functions/Programs						
Governmental activities						
General government	\$ 839,831	\$ 14,591	\$ -	\$ (763,730)	\$ -	\$ (763,730)
Public safety	4,413,416	984,644	75,240	(3,277,836)	-	(3,277,836)
Physical environment	671,528	65,809	241,073	(348,650)	-	(348,650)
Culture and recreation	803,476	60,683	225,598	(461,611)	-	(461,611)
Economic environment	167,557	-	-	(167,557)	-	(167,557)
Debt service:						
Interest on long-term debt	82,976	-	-	(82,976)	-	(82,976)
Total governmental activities	6,978,784	1,125,727	541,911	(5,102,360)	-	(5,102,360)
Business-type activities						
Water and sewer	3,249,266	3,294,960	-	-	885,342	885,342
Airport	669,003	340,169	-	-	32,245	32,245
Solid waste	1,226,273	1,396,364	-	-	170,091	170,091
Total business-type activities	5,144,542	5,031,493	-	-	1,087,678	1,087,678
Total primary government	12,123,326	6,157,220	541,911	(5,102,360)	1,087,678	(4,014,682)
General revenues						
Taxes						
Property taxes				1,648,599	-	1,648,599
Sales tax				805,855	-	805,855
Services taxes				342,411	-	342,411
Franchise taxes				516,410	-	516,410
Utility taxes				620,803	-	620,803
Unrestricted intergovernmental revenue				1,113,046	-	1,113,046
Investment income				134,938	56,056	190,994
Miscellaneous				82,966	162,097	245,063
Transfers				50,000	(50,000)	-
Total general revenues and transfers				5,315,028	168,153	5,483,181
Change in net assets				212,668	1,255,831	1,468,499
Net assets, beginning of year, as restated				9,757,069	14,011,087	23,768,156
Net assets, end of year				9,969,737	15,266,918	25,236,655

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

**CITY OF AVON PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	<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	\$ 140,708	\$ 1,163,199	\$ 505,876	\$ 41,882	\$ 1,851,665
Accounts receivable, net	161,526	-	-	-	161,526
Due from other governments	324,209	122,603	-	13,985	460,797
Due from other funds	328,594	859,320	-	-	1,187,914
Prepaid items	6,420	-	-	-	6,420
Restricted cash and cash equivalents	400,702	-	-	-	400,702
Total Assets	<u>\$ 1,362,159</u>	<u>\$ 2,145,122</u>	<u>\$ 505,876</u>	<u>\$ 55,867</u>	<u>\$ 4,069,024</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 229,336	\$ 3,600	\$ 4,899	\$ -	\$ 237,835
Deferred revenue	66,618	-	-	-	66,618
Total liabilities	<u>295,954</u>	<u>3,600</u>	<u>4,899</u>	<u>-</u>	<u>304,453</u>
Fund balances:					
Reserved for:					
Law enforcement	17,378	-	-	-	17,378
Street improvements	383,324	-	-	-	383,324
Bouis Foundation	6,482	-	-	-	6,482
Prepaid items	6,420	-	-	-	6,420
Unreserved, reported in:					
General fund	652,601	-	-	-	652,601
Special revenue funds	-	2,141,522	500,977	55,867	2,698,366
Total fund balances	<u>1,066,205</u>	<u>2,141,522</u>	<u>500,977</u>	<u>55,867</u>	<u>3,764,571</u>
Total Liabilities and Fund Balances	<u>\$ 1,362,159</u>	<u>\$ 2,145,122</u>	<u>\$ 505,876</u>	<u>\$ 55,867</u>	<u>\$ 4,069,024</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, 2008**

Fund Balances - Total Governmental Funds	\$ 3,764,571
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>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.</p>	114,536
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.</p>	46,283
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Governmental capital assets	13,070,389
Accumulated depreciation	(4,953,927)
<p>Long-term liabilities, are not due and payable in the current period and therefore, are not reported in the funds.</p>	
Interest payable	(25,365)
Compensated absences	(416,240)
Contingent liability	(70,000)
Notes payable	(1,560,510)
Net Assets of Governmental Activities	\$ 9,969,737

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, 2008

	<u>General</u>	<u>Infrastructure</u>	<u>CRA Funds</u>	<u>(Nonmajor) CDBG Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 3,369,296	\$ 805,855	\$ -	\$ -	\$ 4,175,151
Charges for services	845,875	-	-	-	845,875
Licenses and permits	37,271	-	-	-	37,271
Intergovernmental	1,407,726	-	203,819	15,996	1,627,541
Fines and forfeitures	147,295	-	977	-	148,272
Investment income	96,002	31,695	6,930	-	134,627
Miscellaneous	123,189	-	-	-	123,189
Total revenues	<u>6,026,654</u>	<u>837,550</u>	<u>211,726</u>	<u>15,996</u>	<u>7,091,926</u>
Expenditures					
Current:					
General government	708,914	-	-	-	708,914
Public safety	4,272,451	-	-	-	4,272,451
Physical environment	573,661	-	-	-	573,661
Culture and recreation	665,805	-	-	-	665,805
Economic environment	-	-	153,572	13,985	167,557
Capital outlay	357,907	239,415	65,719	-	663,041
Debt service					
Principal retirement	-	200,601	-	-	200,601
Interest and other debt service	-	83,766	-	-	83,766
Total expenditures	<u>6,578,738</u>	<u>523,782</u>	<u>219,291</u>	<u>13,985</u>	<u>7,335,796</u>
Excess (deficiency) of revenues over expenditures	<u>(552,084)</u>	<u>313,768</u>	<u>(7,565)</u>	<u>2,011</u>	<u>(243,870)</u>
Other financing sources (uses)					
Insurance proceeds	60,938	-	-	-	60,938
Transfers in	55,000	-	174,915	50,000	279,915
Transfers out	(174,915)	(50,000)	(5,000)	-	(229,915)
Total other financing sources (uses)	<u>(58,977)</u>	<u>(50,000)</u>	<u>169,915</u>	<u>50,000</u>	<u>110,938</u>
Net change in fund balances	<u>(611,061)</u>	<u>263,768</u>	<u>162,350</u>	<u>52,011</u>	<u>(132,932)</u>
Fund balances, beginning of year, as restated	1,677,266	1,877,754	338,627	3,856	3,897,503
Fund balances, end of year	<u>\$ 1,066,205</u>	<u>\$ 2,141,522</u>	<u>\$ 500,977</u>	<u>\$ 55,867</u>	<u>\$ 3,764,571</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, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ (132,932)

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 of the actuary's requirement. 62,366

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	662,040	
Less: Current year depreciation	601,914	60,126

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds. (11,412)

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is recorded for each disposal. (1,539)

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		200,601
Compensated absences		104,668

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:

Claims and judgments		(70,000)
Interest		790

Change in Net Assets of Governmental Activities \$ 212,668

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, 2008**

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 3,335,162	\$ 3,335,162	\$ 3,369,296	\$ 34,134
Charges for services	887,952	902,693	845,875	(56,818)
Licenses and permits	38,398	38,398	37,271	(1,127)
Intergovernmental	4,304,117	4,485,039	1,407,726	(3,077,313)
Fines and forfeitures	117,250	117,250	147,295	30,045
Investment income	25,000	90,422	96,002	5,580
Miscellaneous	48,671	161,076	123,189	(37,887)
Total revenues	<u>8,756,550</u>	<u>9,130,040</u>	<u>6,026,654</u>	<u>(3,103,386)</u>
Expenditures				
City council	25,563	25,563	24,521	1,042
City manager	319,290	308,392	277,145	31,247
Finance	171,330	171,330	158,495	12,835
Legal counsel	72,900	77,215	76,930	285
Other government services	367,291	396,178	185,099	211,079
Police	2,571,822	2,644,848	2,569,931	74,917
Fire	1,428,752	1,487,002	1,516,715	(29,713)
Code enforcement	160,850	168,197	157,061	11,136
Planning and zoning	79,001	88,885	88,744	141
Street	1,760,140	1,998,866	799,035	1,199,831
Parks	1,549,766	1,645,757	453,887	1,191,870
Recreation	315,675	324,491	227,076	97,415
Community center	49,550	49,550	44,099	5,451
Total expenditures	<u>8,871,930</u>	<u>9,386,274</u>	<u>6,578,738</u>	<u>2,807,536</u>
Excess (deficiency) of revenues over expenditures	<u>(115,380)</u>	<u>(256,234)</u>	<u>(552,084)</u>	<u>(295,850)</u>
Other financing sources (uses)				
Insurance proceeds	-	1,165	60,938	59,773
Issuance of long-term debt	-	220,000	-	(220,000)
Transfers in	255,000	210,000	55,000	(155,000)
Transfers out	(139,620)	(174,931)	(174,915)	16
Total other financing sources (uses)	<u>115,380</u>	<u>256,234</u>	<u>(58,977)</u>	<u>(315,211)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(611,061)</u>	<u>(611,061)</u>
Fund balances, beginning of year, as restated	1,677,266	1,677,266	1,677,266	-
Fund balances, end of year	<u>\$ 1,677,266</u>	<u>\$ 1,677,266</u>	<u>\$ 1,066,205</u>	<u>\$ (611,061)</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, 2008**

	<u>Budgeted Amounts</u>			Variance with Final budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 919,091	\$ 919,091	\$ 805,855	\$ (113,236)
Investment income	25,000	25,000	31,695	6,695
Total revenues	<u>944,091</u>	<u>944,091</u>	<u>837,550</u>	<u>(106,541)</u>
Expenditures				
General government	20,965	10,549	5,013	5,536
Police	-	74,200	94,027	(19,827)
Fire	100,481	147,922	136,168	11,754
Streets	449,500	391,300	279,271	112,029
Airport	353,145	297,120	-	297,120
Parks and recreation	20,000	23,000	9,303	13,697
Total expenditures	<u>944,091</u>	<u>944,091</u>	<u>523,782</u>	<u>420,309</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>313,768</u>	<u>313,768</u>
Other financing sources (uses)				
Transfers out	-	-	(50,000)	(50,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>263,768</u>	<u>263,768</u>
Fund balances, beginning of year	1,877,754	1,877,754	1,877,754	-
Fund balances, end of year	<u>\$ 1,877,754</u>	<u>\$ 1,877,754</u>	<u>\$ 2,141,522</u>	<u>\$ 263,768</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues	\$ 158,168	122,857	\$ 203,819	\$ 80,962
Fines and forfeitures	-	-	977	977
Investment income	3,000	3,000	6,930	3,930
Total revenues	<u>161,168</u>	<u>125,857</u>	<u>211,726</u>	<u>85,869</u>
Expenditures				
Operating	200,662	243,468	153,572	89,896
Capital outlay	225,663	177,663	65,719	111,944
Total expenditures	<u>426,325</u>	<u>421,131</u>	<u>219,291</u>	<u>201,840</u>
Excess (deficiency) of revenues over expenditures	<u>(265,157)</u>	<u>(295,274)</u>	<u>(7,565)</u>	<u>287,709</u>
Other financing sources (uses)				
Transfers in	139,620	174,931	174,915	(16)
Transfers out	-	(5,194)	(5,000)	194
Total other financing sources (uses)	<u>139,620</u>	<u>169,737</u>	<u>169,915</u>	<u>178</u>
Net change in fund balances	<u>(125,537)</u>	<u>(125,537)</u>	<u>162,350</u>	<u>287,887</u>
Fund balances, beginning of year	338,627	338,627	338,627	-
Fund balances, end of year	<u>\$ 213,090</u>	<u>\$ 213,090</u>	<u>\$ 500,977</u>	<u>\$ 287,887</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, 2008**

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
Assets				
Current assets:				
Restricted equity in pooled cash, cash equivalents and investments:				
Debt service	\$ 423,405	\$ -	\$ -	\$ 423,405
Accounts receivable, net	345,161	124,652	87,613	557,426
Due from other governments	-	99,080	-	99,080
Due from other funds	-	-	609,794	609,794
Inventories	145,348	-	-	145,348
Total current assets	<u>913,914</u>	<u>223,732</u>	<u>697,407</u>	<u>1,835,053</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	248,735	-	-	248,735
Landfill closure	-	-	566,409	566,409
Intangible asset, net	-	-	109,264	109,264
Deferred charges	177,977	-	-	177,977
Capital assets:				
Land	182,893	635,467	-	818,360
Building and system	21,051,547	8,743,728	1,855	29,797,130
Equipment	3,177,186	3,544	1,230,973	4,411,703
Construction in progress	42,793	587,983	-	630,776
Accumulated depreciation	(12,108,705)	(2,407,321)	(805,915)	(15,321,941)
Capital assets, net of accumulated depreciation	<u>12,345,714</u>	<u>7,563,401</u>	<u>426,913</u>	<u>20,336,028</u>
Total noncurrent assets	<u>13,597,426</u>	<u>7,563,401</u>	<u>1,102,586</u>	<u>22,263,413</u>
Total Assets	<u>\$ 14,511,340</u>	<u>\$ 7,787,133</u>	<u>\$ 1,799,993</u>	<u>\$ 24,098,466</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 116,326	\$ 5,887	\$ 49,498	\$ 171,711
Due to other funds	1,489,511	308,197	-	1,797,708
Compensated absences	64,002	-	18,805	82,807
Deposits	552,866	47,374	-	600,240
Current portion of landfill closure	-	-	25,308	25,308
Current portion of loans payable	269,985	54,727	71,061	395,773
Current liabilities payable from restricted assets:				
Interest payable	44,238	-	-	44,238
Current portion of bonds payable	455,000	-	-	455,000
Total current liabilities	<u>2,991,928</u>	<u>416,185</u>	<u>164,672</u>	<u>3,572,785</u>
Noncurrent liabilities:				
Compensated absences	71,389	-	29,483	100,872
Landfill closure	-	-	752,923	752,923
Bonds payable, net of current portion	3,585,000	-	-	3,585,000
Loans payable, net of current portion	385,207	221,025	213,736	819,968
Total non-current liabilities	<u>4,041,596</u>	<u>221,025</u>	<u>996,142</u>	<u>5,258,763</u>
Total liabilities	<u>7,033,524</u>	<u>637,210</u>	<u>1,160,814</u>	<u>8,831,548</u>
Net Assets				
Invested in capital assets, net of related debt	7,828,499	7,287,649	142,116	15,258,264
Restricted for:				
System improvement	248,735	-	-	248,735
Debt Service	954,167	-	-	954,167
Renewal and replacement	250,000	-	-	250,000
Unrestricted	(1,803,585)	(137,726)	497,063	(1,444,248)
Total net assets	<u>7,477,816</u>	<u>7,149,923</u>	<u>639,179</u>	<u>15,266,918</u>
Total Liabilities and Net Assets	<u>\$ 14,511,340</u>	<u>\$ 7,787,133</u>	<u>\$ 1,799,993</u>	<u>\$ 24,098,466</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, 2008

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
Operating revenues				
Charges for services	\$ 3,294,960	\$ 340,169	\$ 1,396,364	\$ 5,031,493
Miscellaneous	62,023	96,880	3,194	162,097
Total operating revenues	<u>3,356,983</u>	<u>437,049</u>	<u>1,399,558</u>	<u>5,193,590</u>
Operating expenses				
Personal services	1,047,969	47,896	424,643	1,520,508
Materials, supplies, services, and other operating expenses	1,339,176	350,563	631,593	2,321,332
Depreciation and amortization	675,322	259,486	156,565	1,091,373
Total operating expenses	<u>3,062,467</u>	<u>657,945</u>	<u>1,212,801</u>	<u>4,933,213</u>
Operating income (loss)	<u>294,516</u>	<u>(220,896)</u>	<u>186,757</u>	<u>260,377</u>
Nonoperating revenues (expenses)				
Interest revenue	33,922	-	22,134	56,056
Interest/amortization expense	(186,799)	(11,058)	(13,472)	(211,329)
Total nonoperating revenues (expenses)	<u>(152,877)</u>	<u>(11,058)</u>	<u>8,662</u>	<u>(155,273)</u>
Income (loss) before transfers and capital contributions	<u>141,639</u>	<u>(231,954)</u>	<u>195,419</u>	<u>105,104</u>
Capital contributions - capital grants	-	361,079	-	361,079
Capital contributions - impact fees and capital contributions	839,648	-	-	839,648
Transfers out	-	-	(50,000)	(50,000)
Changes in net assets	<u>981,287</u>	<u>129,125</u>	<u>145,419</u>	<u>1,255,831</u>
Total net assets, beginning of year, as restated	6,496,529	7,020,798	493,760	14,011,087
Total net assets, end of year	<u>\$ 7,477,816</u>	<u>\$ 7,149,923</u>	<u>\$ 639,179</u>	<u>\$ 15,266,918</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, 2008**

	<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	\$ 3,468,040	\$ 416,227	\$ 1,414,901	\$ 5,299,168
Cash paid to suppliers	(1,271,523)	(351,728)	(634,476)	(2,257,727)
Cash paid to employees	(1,021,755)	(46,902)	(417,211)	(1,485,868)
Other operating cash transfers				-
Net cash provided by operating activities	<u>1,174,762</u>	<u>17,597</u>	<u>363,214</u>	<u>1,555,573</u>
Cash flows from noncapital financing activities				
Transfers from (to) other funds	146,799	(311,845)	(280,598)	(445,644)
Net cash provided by (used in) noncapital financing activities	<u>146,799</u>	<u>(311,845)</u>	<u>(280,598)</u>	<u>(445,644)</u>
Cash flows from capital and related financing activities				
Principal payments on loans payable	(561,456)	(53,690)	(62,298)	(677,444)
Principal payments on capital leases	-	-	(14,297)	(14,297)
Principal payments on bonds payable	(445,000)	-	-	(445,000)
Interest paid	(174,911)	(11,058)	(13,472)	(199,441)
Proceeds from impact fees and capital contributions	839,648	-	-	839,648
Proceeds from capital grants	-	534,897	-	534,897
Acquisition and construction of capital assets	(1,020,665)	(215,766)	-	(1,236,431)
Net cash provided by (used in) capital and related financing activities	<u>(1,362,384)</u>	<u>254,383</u>	<u>(90,067)</u>	<u>(1,198,068)</u>
Cash flows from investing activities				
Interest received	33,922	-	22,134	56,056
Net increase (decrease) in cash and cash equivalents	<u>(6,901)</u>	<u>(39,865)</u>	<u>14,683</u>	<u>(32,083)</u>
Equity in cash, cash equivalents and investments, beginning of year	1,504,041	39,865	551,726	2,095,632
Equity in cash, cash equivalents and investments, end of year	<u>\$ 1,497,140</u>	<u>\$ -</u>	<u>\$ 566,409</u>	<u>\$ 2,063,549</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, 2008
(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	\$ -	\$ -	\$ -	\$ -
Restricted equity in cash, cash equivalents and investments in current assets	423,405	-	-	423,405
Restricted equity in cash, cash equivalents and investments in noncurrent assets	<u>1,073,735</u>	<u>-</u>	<u>566,409</u>	<u>1,640,144</u>
Total cash and cash equivalents	<u>\$ 1,497,140</u>	<u>\$ -</u>	<u>\$ 566,409</u>	<u>\$ 2,063,549</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 294,516	\$ (220,896)	\$ 186,757	\$ 260,377
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation	675,322	259,486	142,907	1,077,715
Amortization	-	-	13,658	13,658
Increase (decrease) in certain liabilities:				
Accounts receivable	59,108	(28,331)	15,343	46,120
Inventories	70,132	-	-	70,132
Compensated absences	20,047	-	4,708	24,755
Accounts payable and accrued liabilities	3,688	(171)	1,341	4,858
Deposits	51,949	7,509	-	59,458
Landfill closure	-	-	(1,500)	(1,500)
Net cash provided by operating activities	<u>\$ 1,174,762</u>	<u>\$ 17,597</u>	<u>\$ 363,214</u>	<u>\$ 1,555,573</u>
Noncash investing, capital and financing activities				
Acquisition of capital assets financed by long-term debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,908</u>	<u>\$ 188,908</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, 2008**

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 474,453
Interest and dividend receivable	43,111
Contributions receivable	7,748
Miscellaneous receivable	254
Investments:	
U.S. Government securities	169,090
U.S. Government agencies	623,134
Corporate bonds	1,221,310
Mortgage backed securities	444,250
Foreign corporate stocks	303,946
Corporate stocks	4,174,034
Total assets	7,461,330
Liabilities	-
Net assets held in trust for pension benefits	\$ 7,461,330

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, 2008**

	Pension Trust Funds
Additions	
Contributions	
Employees' contributions	\$ 120,284
Employer's contributions	356,943
State contributions	119,939
Total contributions	597,166
Investment earnings (loss)	
Net increase (decrease) in fair value of investments	(1,477,261)
Interest and dividend	297,237
Miscellaneous income	959
Total investment earnings (loss)	(1,179,065)
Less investment expense	60,096
Net investment income (loss)	(1,239,161)
Total additions	(641,995)
Deductions	
Benefits	358,532
Administrative expenses	95,746
Total deductions	454,278
Change in Net Assets	(1,096,273)
Net assets held in trust for pension benefits, beginning of year	8,557,603
Net assets held in trust for pension benefits, end of year	\$ 7,461,330

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

(a) **Reporting entity**—The City, a municipality under the laws of the State of Florida, is located in Highlands County and is approximately 7.65 square miles in area. It was incorporated in 1926 when Florida Law Chapter 12512 approved its original charter. The City Council is comprised of the Mayor and four City Council persons. The City provides public safety, public works, recreation, and general government services to its approximately 9,030 residents. The City also operates water and wastewater, airport, and solid waste enterprises.

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

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

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

- 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, 2008

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

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

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

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

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

Fund Financial Statements

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

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

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

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

Basis of Presentation

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

Governmental Major Funds

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

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

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

Proprietary Major Funds

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

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

Other Fund Types

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

Non-current Governmental Assets/Liabilities

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

(c) **Budgets and Budgetary Accounting**—Budgets are prepared for General, Infrastructure and CRA Funds on a basis consistent with the basis of accounting utilized for the respective funds; that is the modified accrual basis. A legally adopted annual budget is not prepared for the Community Development Block Grant Fund. The Community Development Block Grant is a multi-year grant, which has a budget prepared for the total program as outlined in the grant agreement.

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

Budgets are not prepared for the Pension Trust Funds.

The legal level of budgetary control is at the department level. In the current year, the City's Infrastructure Fund expenditures for the police department exceeded the approved final budget by \$19,827. General Fund expenditures for the fire department exceeded the approved final budget in total by \$29,713.

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

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

"Total fund balances" of the City's governmental funds, \$3,764,571, differs from net assets" of governmental activities, \$9,969,737, 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, 2008

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

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

The "net change in fund balances" for governmental funds, (\$132,932), differs from the "change in net assets" for governmental activities, \$212,668, 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 \$229,915 between governmental activities were eliminated.

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

Cash balances from the majority of funds are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. The investment pools are managed such that all participating funds have the ability to deposit and withdraw cash as if they were demand deposit accounts and, therefore, all balances representing participant's equity in the investment pools are classified as cash equivalents for purposes of these financial statements.

For purposes of the Statement of Cash Flows, each fund's equity in the investment pool is considered to be a cash equivalent since deposits and withdrawals can be made at anytime without prior notice or penalty.

(f) **Investments**—Investments are stated at fair value, *except* for investments in the Florida State Board of Administration's Local Government Surplus Crust Fund Investment Pool (Pool) and short-term investments, which are stated at amortized cost.

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

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

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

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

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

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

Long-term interfund advances are recorded as reductions in fund balance by the advancing fund in the Governmental Fund Types. The amount advanced is reported as "Advances to other funds" and as "Reserved for advances" to maintain the accountability and to properly disclose the amount available for appropriation (unreserved fund balance).

(j) **Intangible asset**—On October 1, 1996, the City established a new enterprise fund for its solid waste operations. Assets and liabilities relating to solid waste were transferred from the General Fund to the Solid Waste Fund. The excess of liabilities over the cost of assets was recorded as an intangible asset in the Solid Waste Fund. This intangible asset is being amortized on a straight-line basis over a 20 year period and at September 30, 2008 amounts to \$109,264.

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

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

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

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

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

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

(l) **Compensated absences**—Upon separation of service, regular full-time employees receive payment for vacation time earned but not used at their last rate of pay as follows:

- General government employees will be paid up to a maximum of twice the employee's annual accrual.
- Police officers will be paid up to a maximum of 240 hours.
- Firefighters will be paid up to a maximum of 480 hours.
- City manager and department heads are not limited and will be paid in full unless under a contractual agreement.

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

- General government employees shall be paid for one-half of the accumulated unused sick leave up to a maximum of 480 hours after ten years of service or death.
- Police officers and firefighters shall be paid for one-half of the accumulated unused sick leave up to a maximum of 480 hours at retirement or death.

As accumulated sick and annual leave would not be liquidated with expendable available resources, a long-term liability of accrued sick and annual leave has been recorded in the government-wide statement of net assets at September 30, 2008, representing the City's commitment to fund such costs from future operations. In the governmental funds, only amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The liability for compensated absences is liquidated in the fund in which an employee's payroll expense is normally recorded. The general fund has been used in prior years to liquidate the liability for compensated absences in governmental funds.

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

(o) **Long-term obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

(q) **Property taxes**—Ad valorem taxes for the current fiscal year (beginning October 1, 2007) are assessed on July 1, 2007 based on property values of January 1, 2007. The taxes are billed in the month of November 2007 by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due November 1, 2007 (levy date) and become delinquent April 1, 2008. Tax certificates are issued for delinquent taxes by June 1, 2008 (lien date). Generally, the City collects substantially all of its current year property taxes during the year in which they are due.

(r) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States, as applicable to governmental entities, requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

(2) **Deposits and Investments:**

(a) **Deposits**—At September 30, 2008, the carrying amount of the City's deposits was \$2,587,406 and the bank balance was \$2,716,345. The difference between these two balances is created by timing differences due to the float on disbursements which have not cleared the bank. The City also had \$1,700 cash on hand at September 30, 2008.

(b) **Investments**—As of September 30, 2008, the City had the following investments and maturities:

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

Investment Type	Fair Value	Remaining Maturities (in Years)			
		Less Than 1	1 - 5	6-10	More Than 10
U.S. Government securities	\$ 322,478	\$ 204,326	\$ -	\$ 82,102	\$ 36,050
U.S. Government agencies	1,938,608	1,365,457	195,313	105,656	272,182
Corporate bonds	1,221,310	147,387	626,337	327,666	119,920
Mortgage backed securities	444,250	-	-	92,339	351,911
Corporate stocks	4,174,034	4,174,034	-	-	-
Foreign corporate stocks	303,946	303,946	-	-	-
Florida SBA LGIP Fund A	611,252	611,252	-	-	-
Florida SBA LGIP Fund B	121,149	-	121,149	-	-
Total fair value	\$ 9,137,027	\$ 6,806,402	\$ 942,799	\$ 607,763	\$ 780,063

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, 2008 for each type of investment in debt securities.

Rating as of Year-End	U. S. Government Securities	U.S. Government Agencies	Corporate Bonds	Mortgage Backed Securities	SBA LGIP
Exempt from Disclosure	\$ 322,478	\$ 1,938,608	\$ -	\$ -	\$ -
AAAM	-	-	-	-	611,252
AAA	-	-	46,553	444,250	-
AA	-	-	13,837	-	-
A+	-	-	247,050	-	-
A	-	-	531,886	-	-
A-	-	-	18,988	-	-
AA-	-	-	96,943	-	-
BBB+	-	-	80,006	-	-
BB+	-	-	49,366	-	-
BBB	-	-	80,102	-	-
BBB-	-	-	52,203	-	-
D	-	-	4,376	-	-
Not rated	-	-	-	-	121,149
Total	\$ 322,478	\$ 1,938,608	\$ 1,221,310	\$ 444,250	\$ 732,401

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

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

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

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

The City's investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool (LGIP), a Securities and Exchange Commission rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Local Government Surplus Funds Trust Fund Investment Pool is administered by the State Board of Administration (SBA) pursuant to section 218.405 of the Florida Statutes. On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate funds. Fund A consisted of all money market appropriate assets, which was approximately 14% of Pool assets. At the time of the restructuring, all current Pool participants had their existing balances proportionately allocated into Fund A and Fund B.

As of September 30, 2008, Fund A participants may withdraw 65% of their balance or \$12 million, whichever is greater, without penalty. Withdrawals from Fund A in excess of the above limit are subject to a 2% redemption fee. New investments in Fund A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Fund A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Fund. As a Securities and Exchange Commission rule 2a7-like external investment pool, the account balance of this fund is considered to be the fair value of this investment. As of September 30, 2008, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Fund A.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

Currently, Fund B participants are prohibited from withdrawing any amount from the Fund. Fund B is accounted for as a fluctuating NAV pool. The fair value factor of fund B as of September 30, 2008 was .798385. Fund B is not rated by any nationally recognized statistical rating agency.

The City's \$6,935,764 investments in U.S. Government Securities, U.S. Government Agencies, Corporate Bonds, Corporate Equities, Foreign Corporate Equities and Mortgage Backed Securities, which are owned by the Police Officers Retirement System and the Firefighters' Retirement System, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City's investment policy allows purchases of securities from financial institutions which are qualified as public depositories by the Treasurer of the State of Florida or from securities dealers that are members of the New York Stock Exchange having a physical presence in Florida, and having a minimum regulatory capital in excess of fifty million dollars or primary securities dealers as designated by the Federal Reserve Bank of New York.

Foreign Currency Risk. The City's Police Officers' Retirement System holds \$303,946 in foreign stocks through America Depository Receipts (ADRs) with one local financial institution. Those deposits are exposed to the potential risk of loss arising from changes in exchange rates.

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

(3) **Receivables:**

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

	Governmental Activities	Business-Type Activities			Total
	General	Water and Sewer	Airport	Solid Waste	
Utility and franchise taxes	\$ 107,170	\$ -	\$ -	\$ -	\$ 107,170
Code enforcement	46,309	-	-	-	46,309
Water and sewer charges	-	350,355	-	-	350,355
Solid waste charges	-	-	-	115,178	115,178
Miscellaneous	8,047	-	124,652	-	132,699
Gross receivables	161,526	350,355	124,652	115,178	751,711
Allowance for doubtful accounts	-	(5,194)	-	(27,565)	(32,759)
	<u>\$ 161,526</u>	<u>\$ 345,161</u>	<u>\$ 124,652</u>	<u>\$ 87,613</u>	<u>\$ 718,952</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(4) Capital Assets:

Capital asset activity for the year ended September 30, 2008 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 316,634	\$ -	\$ -	\$ -	\$ 316,634
Construction in process	1,267,274	58,598	-	(334,222)	991,650
Total capital assets, not being depreciated	<u>1,583,908</u>	<u>58,598</u>	<u>-</u>	<u>(334,222)</u>	<u>1,308,284</u>
Capital assets, being depreciated:					
Buildings	4,638,711	74,263	(35,200)	-	4,677,774
Equipment	4,625,732	187,929	(3,856)	-	4,809,805
Infrastructure	1,599,054	341,253	-	334,222	2,274,529
Total capital assets, being depreciated:	<u>10,863,497</u>	<u>603,445</u>	<u>(39,056)</u>	<u>334,222</u>	<u>11,762,108</u>
Less accumulated depreciation for:					
Buildings	(1,609,521)	(170,002)	34,740	-	(1,744,783)
Equipment	(2,668,511)	(371,605)	2,777	-	(3,037,339)
Infrastructure	(111,498)	(60,310)	-	-	(171,808)
Total accumulated depreciation	<u>(4,389,530)</u>	<u>601,917</u>	<u>37,517</u>	<u>-</u>	<u>(4,953,930)</u>
Total capital assets, being depreciated, net	6,473,967	1,528	(1,539)	334,222	6,808,178
Governmental activities capital assets, net	<u>\$ 8,057,875</u>	<u>\$ 60,126</u>	<u>\$ (1,539)</u>	<u>\$ -</u>	<u>\$ 8,116,462</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 818,360	\$ -	\$ -	\$ -	\$ 818,360
Construction in process	756,290	215,766	-	(341,280)	630,776
Total capital assets, not being depreciated	<u>1,574,650</u>	<u>215,766</u>	<u>-</u>	<u>(341,280)</u>	<u>1,449,136</u>
Capital assets, being depreciated:					
Buildings and system	28,490,254	963,740	-	343,135	29,797,129
Machinery and equipment	4,175,392	246,464	(8,298)	(1,855)	4,441,703
Total capital assets, being depreciated:	<u>32,665,646</u>	<u>1,210,204</u>	<u>(8,298)</u>	<u>341,280</u>	<u>34,208,832</u>
Less accumulated depreciation for:					
Buildings and system	(12,375,995)	(839,907)	-	-	(13,215,902)
Machinery and equipment	(1,875,896)	(238,116)	7,974	-	(2,106,038)
Total accumulated depreciation	<u>(14,251,891)</u>	<u>(1,078,023)</u>	<u>7,974</u>	<u>-</u>	<u>(15,321,940)</u>
Total capital assets, being depreciated, net	18,413,755	132,181	(324)	341,280	18,886,892
Business-type activities capital assets, net	<u>\$ 19,988,405</u>	<u>\$ 347,947</u>	<u>\$ (324)</u>	<u>\$ -</u>	<u>\$ 20,336,028</u>

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

Governmental activities:	
General government	\$ 64,977
Public safety	288,738
Physical environment	104,572
Culture and recreation	143,630
Total depreciation expense - governmental activities	<u>\$ 601,917</u>
Business-type activities:	
Water and sewer	\$ 675,322
Airport	259,486
Solid waste	143,215
Total depreciation expense – business-type activities	<u>\$ 1,078,023</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

At September 30, 2008 the City had the following outstanding construction commitments in governmental activities.

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to September 30, 2008</u>	<u>Commitment</u>
Water and Sewer Fund			
U.S. 27 North widening	\$ 100,000	\$ 42,793	\$ 57,207
Airport Fund			
FBO Building	\$ 760,000	\$ 354,898	\$ 405,102
Corporate Hangar B	250,000	18,005	231,995
Airport drainage	2,577,182	215,078	2,362,104
	<u>\$ 3,587,182</u>	<u>\$ 587,981</u>	<u>\$ 2,999,201</u>

At September 30, 2008, the City had the following outstanding construction commitments in business-type activities:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to September 30, 2008</u>	<u>Commitment</u>
City Hall Retrofit	\$ 1,975	\$ 1,975	\$ -
Mall Improvements FHBC	25,000	20,000	5,000
TEA21 Streetscape	801,684	801,684	-
CDBG - Museum Avenue	750,000	123,699	626,301
Watershed management plan	100,000	44,291	55,709
	<u>\$ 1,678,659</u>	<u>\$ 991,649</u>	<u>\$ 687,010</u>

(5) **Restricted Assets:**

Restricted assets include those provided for by resolutions as of September 30, 2008 were as follows:

Solid Waste - Landfill Escrow	\$ 566,409
Water and Sewer:	
Impact fees	248,735
Current debt service	423,405
Noncurrent debt service	575,000
Renewal and replacement	250,000
	<u>1,497,140</u>
Total Restricted Assets	<u>\$ 2,063,549</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(6) Long-Term Liabilities:

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2008, is as follows:

	<u>Beginning October 1, 2007</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance September 30, 2008</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
Notes payable	\$ 1,757,334	\$ -	\$ 196,824	\$ 1,560,510	\$ 189,119
Compensated absences	520,907	350,891	455,558	416,240	350,891
Governmental activity Long-term liabilities	<u>\$ 2,278,241</u>	<u>\$ 350,891</u>	<u>\$ 652,382</u>	<u>\$ 1,976,750</u>	<u>\$ 540,010</u>
<u>Business-type activities</u>					
Notes payable	\$ 1,704,278	\$ 188,908	\$ 677,445	\$ 1,215,741	\$ 395,773
Revenue bond	4,485,000	-	445,000	4,040,000	455,000
Capital leases	14,297	-	14,297	-	-
Landfill closure	779,731	-	1,500	778,231	25,308
Compensated absences	158,924	107,565	82,810	183,679	82,807
Business-type activity Long-term liabilities	<u>\$ 7,142,230</u>	<u>\$ 296,473</u>	<u>\$ 1,221,052</u>	<u>\$ 6,217,651</u>	<u>\$ 958,888</u>

The following notes payable and revenue bonds payable were outstanding at September 30, 2008:

Governmental Activities Notes Payable:

\$1,910,000 with a varying interest rate between 3.25% and 5.25%, dated November 15, 2001, with final payment due October 20, 2016. Beginning April 20, 2002 interest payments are due semi-annually, and principal payments varying between \$95,000 and \$175,000 are due annually, until maturity date. Proceeds are used for street improvements and are secured by a pledge of non-ad valorem revenues, which are legally available for loan repayment.	\$ 1,300,000
\$376,000 with a fixed interest rate equal to 4.4%, dated January, 22, 2007, with a final payment due January 22, 2012. Beginning February 22, 2007, payments are due in monthly installments of \$7,021, including interest, until maturity date, secured by a fire truck.	260,510
Total Governmental Activities Notes Payable	<u>\$ 1,560,510</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(6) Long-Term Liabilities: (Continued)

Business-Type Activities Notes Payable:

<p>\$315,200 dated August 6, 2003, with a final payment due in 2011. Beginning October 1, 2003 payments are due in monthly installments of \$3,750, until maturity date. Proceeds are used for improvements to a commercial building at the airport and are secured by revenues from the rental of the commercial building.</p>	\$ 70,679
<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>	205,073
<p>\$1,300,000 with a fixed interest rate equal to 4% dated January 26, 2005, with final payment due January 26, 2010. Beginning January 26, 2006 payments are due in annual installments of \$292,015, including interest, until maturity date. Proceeds are used for acquisition of the Sebring Ridge Utilities system and are secured by future revenue of the water and sewer fund.</p>	550,768
<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>	124,356
<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>	160,441
<p>\$104,424 with a fixed interest rate equal to 2.07% dated November 6, 2006. The current balance of this State Revolving Fund loan was used to perform a study to determine the feasibility of expanding and upgrading the Wastewater Treatment Plant. Potential draws total \$802,837; however, the City has made the decision not to expand the plant at this time. Interest is capitalized until repayment begins. Repayment of draws is semiannual for 20 years beginning March 15, 2010.</p>	104,424
<p>Total Business-type Activities Notes Payable</p>	1,215,741
<p>Total Notes Payable</p>	\$ <u>2,776,251</u>

Business-type Activities Revenue Bond:

<p>\$5,750,000 in Water and Sewer Refunding Revenue Bonds, Series 2003 due in annual installments of \$585,314 to \$589,720, including interest, through December 1, 2015; interest ranges from 1.05% to 3.8%; collateralized by a pledge of water and sewer revenue.</p>	\$ <u>4,040,000</u>
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**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(6) **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
2009	\$ 189,119	\$ 73,887	\$ 850,773	\$ 171,389
2010	202,501	64,506	860,285	147,029
2011	211,037	54,594	572,953	118,073
2012	162,853	45,008	565,112	98,731
2013	145,000	37,750	533,434	79,483
2014 - 2018	650,000	70,350	1,728,666	145,461
2019 - 2023	-	-	107,173	15,081
2024 - 2028	-	-	29,045	2,317
2029 - 2033	-	-	8,030	96
	\$ 1,560,510	\$ 346,095	\$ 5,255,741	\$ 777,660

Synopsis of Loan Covenants - Water and Sewer Refunding Revenue Bond

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

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

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

(7) Landfill Closure and Postclosure Care Liability:

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

State laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. In addition to operating expenses related to current activities of the landfill, a related liability is being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the landfill closure and post closure care liability is based on the capacity of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$778,231 as of September 30, 2008, which is based on an estimated 73 percent usage (filled) of the landfill. It is estimated that an additional liability of \$302,680 will be recognized for closure and postclosure care between the balance sheet date and the date the landfill is expected to be filled to capacity (2014). The estimated total current cost of the landfill closure and postclosure care (\$1,080,911) 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, 2008. 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, 2008, the City has escrowed \$566,409 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.

(8) Other Post Employment Benefits:

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

(9) Risk Management:

Risk Pool

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

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(10) Interfund Receivables and Payables:

Individual interfund receivable and payable balances at September 30, 2008 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Water and Sewer Fund	\$ 20,397
	Airport Fund	308,197
Infrastructure Fund	Water and Sewer Fund	859,320
Solid Waste Fund	Water and Sewer Fund	609,794
		<u>\$ 1,797,678</u>

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

(11) Transfers:

Transfers during the year ended September 30, 2008 consisted of the following:

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>CRA Funds</u>	<u>CDBG Fund</u>
Transfers From:			
General Fund	\$ -	\$ 174,915	\$ -
Infrastructure	-	-	50,000
CRA Funds	5,000	-	-
Solid Waste Fund	50,000	-	-
	<u>\$ 55,000</u>	<u>\$ 174,915</u>	<u>\$ 50,000</u>

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

(12) Fund Equity:

Reservations of fund balances at September 30, 2008 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.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

(13) **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. A separate, audited GAAP-basis pension plan report is not available for the plan. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the plan. As of September 30, 2008, (per the most recent actuarial valuation dated October 1, 2007), employee membership data related to the pension plan was as follows:

Retirees and beneficiaries receiving benefits	8
Terminated plan members entitled to but not receiving benefits	3
Active plan members	25

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. A separate, audited GAAP-basis pension plan report is not available for the plan. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the plan. As of September 30, 2008, (per the most recent actuarial valuation dated October 1, 2007) employee membership data related to the pension plan was as follows:

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

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

The statements of fiduciary net assets for the individual plans at September 30, 2008 are as follows:

<u>Assets</u>	Police Officers' Retirement System	Firefighters' Retirement System	Total
Cash and cash equivalents	\$ 339,300	\$ 135,153	\$ 474,453
Interest and dividend receivable	29,549	13,562	43,111
Contributions receivable	1,955	5,793	7,748
Miscellaneous receivable	254	-	254
Investments at fair value			
U.S. Government securities	36,050	133,040	169,090
U.S. Government agencies	523,651	99,483	623,134
Corporate bonds	688,621	532,689	1,221,310
Mortgage backed securities	444,250	-	444,250
Foreign corporate stocks	303,946	-	303,946
Corporate stocks	2,069,069	2,104,965	4,174,034
Total Assets	<u>4,436,645</u>	<u>3,024,685</u>	<u>7,461,330</u>
Net Assets			
Held in trust for pension benefits	<u>\$ 4,436,645</u>	<u>\$ 3,024,685</u>	<u>\$ 7,461,330</u>

The statements of changes in fiduciary net assets for the individual plans for the year ended September 30, 2008 are as follows:

	Police Officers' Retirement System	Firefighters' Retirement System	Total
Additions			
Contributions			
Employer	\$ 216,425	\$ 140,518	\$ 356,943
State of Florida	66,163	53,776	119,939
Employee	60,715	59,569	120,284
Total contributions	<u>343,303</u>	<u>253,863</u>	<u>597,166</u>
Investment Earnings (Loss)			
Net depreciation in fair value of investments	(748,281)	(728,980)	(1,477,261)
Interest and dividends	183,019	115,177	298,196
Total investment earnings (loss)	<u>(565,262)</u>	<u>(613,803)</u>	<u>(1,179,065)</u>
Less investment expenses	(35,997)	(24,099)	(60,096)
Net investment earnings (loss)	<u>(601,259)</u>	<u>(637,902)</u>	<u>(1,239,161)</u>
Total Additions	<u>(257,956)</u>	<u>(384,039)</u>	<u>(641,995)</u>
Deductions			
Benefits	190,090	168,442	358,532
Administration expense	31,994	63,752	95,746
Total Deductions	<u>222,084</u>	<u>232,194</u>	<u>454,278</u>
Change in Net Assets	<u>(480,040)</u>	<u>(616,233)</u>	<u>(1,096,273)</u>
Net Assets, October 1, 2007	<u>4,916,685</u>	<u>3,640,918</u>	<u>8,557,603</u>
Net Assets, September 30, 2008	<u>\$ 4,436,645</u>	<u>\$ 3,024,685</u>	<u>\$ 7,461,330</u>

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

Funding Policy and Annual Pension Cost

The City Council establishes and may amend the contribution requirements of plan members. The City, taking into account the state contribution, is required by city ordinance and state statutes to make additional contributions to fund the pension plans on an actuarially sound basis and at a minimum must contribute 5 percent of employee compensation. The amounts contributed by the State to the PORS represents the City's portion of an .85 percent tax on all premiums collected on casualty insurance policies on property within the City and for the FFRS is a 1.85 percent tax on all premiums collected on property insurance policies covering property within the City. The City, for 2008 funding purposes, is limited by state statutes on the amount of the state contribution that can be credited toward the annual required contribution. The current limitation on state contributions for the PORS and FERS amounts to \$66,163 and \$53,776, respectively. Administrative costs for each plan are financed through investment earnings. Information related to contributions for the year ended September 30, 2008 is as follows:

	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>
Contribution rates: City and State	12.6%	15.0%
Plan members	5.0%	5.0%
Annual pension cost	\$127,011	\$96,550
Contributions made	\$183,301	\$103,553
Actuarial valuation date	10/1/2005	10/1/2005
Actuarial cost method (1)	Entry age normal	Entry age normal
Amortization method (1)	Level dollar, closed	Level percentage of pay, closed
Remaining amortization period (1)	15 years	30 years
Asset valuation method	4 Year Smooth	4 Year Smoothed Market
Actuarial assumptions:		
Investment rate of return *	8.0%	8.0%
Projected salary increases *	6.5%	6.0%
* Includes inflation at	3.0%	3.0%
Post retirement cost of living adjustments	3.0%	0.0%

(1) The actuarial cost method was changed effective October 1, 2007 from the Aggregate Actuarial Cost method to the Entry Age Normal Actuarial Cost method. The normal cost is determined as a level percentage of pay, whereas the new Unfunded Actuarial Accrual Liability base created as a result of the cost method change is amortized as a level dollar over a fifteen year period.

	<u>Year Ended September 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Police Officers' Retirement System	2007	127,011	144%	(76,342)
	2006	156,319	113%	(20,633)
	2005	159,532	100%	-
Firefighters' Retirement System	2007	96,550	107%	(38,194)
	2006	83,010	111%	(31,537)
	2005	75,781	130%	(22,391)

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

Funded Status and funding Progress—

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

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b – a)/c)
Fire	\$ 3,131,140	\$ 3,750,769	\$ 619,629	83.48%	\$ 690,352	89.76%
Police	4,939,711	4,519,021	(420,689)	109.31	1,051,409	(40.01)

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

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

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

(d) **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 three 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 2008.

(e) **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 \$117,018 in revenue and related expense in the general fund.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

Florida Retirement System (FRS)

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

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

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

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

Participating employer contributions are based upon statewide rates established by the State of Florida. These rates which include the health insurance subsidy contribution of 1.11 percent are applied to employee salaries as follows: regular employees – 9.85 percent and drop – 10.91 percent. The City's contributions made during the years ended September 30, 2008, 2007, and 2006, were \$65,681, \$74,484, and \$69,297, respectively, equal to the actuarially determined contribution requirements for each year. The City has determined, in accordance with GASB Statement No. 27, that there was no pension liability before or at transition.

CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

Defined Contribution Plan

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

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

The City's payroll for the year ended September 30, 2008 for eligible employees participating in the plan was \$1,719,637. The City's total payroll for all employees was \$4,653,978.

As of September 30, 2008, the City's contributions to the plan were \$169,188 on behalf of the 53 employees participating. The total required and voluntary employee contributions to the plan amounted to \$40,948.

(14) **Deficits:**

The Airport Fund has an unrestricted net assets deficit of \$137,726 at September 30, 2008. This deficit is primarily due to investment by the City in the airport's capital assets, and operating expenses exceeding operating revenues.

The Water and Sewer Fund has an unrestricted net assets deficit of \$1,803,585 at September 30, 2008. This deficit is primarily due to investment by the City in the Waste and Sewer Fund's capital assets. The rates charged and expenses incurred as well as capital projects will be addressed in the next fiscal year.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(15) 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, 2008 the city received rent revenue from operating leases of \$340,169.

The following is a schedule by years of minimum future rent revenues from non-cancelable operating leases as of September 30, 2008:

Year Ending September 30	Amount
2009	\$ 83,040
2010	83,040
2011	83,040
2012	83,040
2013	83,040
2014 - 2018	166,080
Total future minimum rentals	<u>\$ 581,280</u>

At September 30, 2008 the value of buildings held for leasing was as follows:

Buildings and hangars	
Cost	\$ 2,034,261
Accumulated depreciation	<u>(653,862)</u>
Net book value	<u>\$ 1,380,399</u>

(16) Subsequent Events:

As discussed in Note 12 at September 30, 2008, the City had \$121,150 invested in the State Board of Administration's Local government Surplus Funds Trust Fund Investment Pool Fund B. As of the financial statement date, approximately 8 percent of Fund B was released from restriction. Also, on December 23, 2008, all withdrawal restrictions were removed from Fund A.

Subsequent to year-end, the City's police officers' and firefighters' retirement investments decline by approximately \$1,186,000 and \$925,000, respectively, due to market conditions.

(17) Contingent Liabilities:

The City is involved in a general liability case with a potential exposure equal to the sovereign immunity cap set forth in Section 768.28, Florida Statutes, of \$200,000. However, the City believes the claimant was comparatively negligent, and therefore, the case has an actual value of \$55,000 to \$70,000. The City has recognized \$70,000 in claims expense for the year ended September 30, 2008.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(18) **Prior Year Restatements:**

In 2008, the City's general, infrastructure and airport beginning of year fund balances and net assets were restated to record intergovernmental revenues, fines and forfeitures and grant revenues in accordance with the City's revenue recognition policy. This resulted in an increase fund balance and net assets of \$100,572, \$57,892 and \$57,470 for the general fund, infrastructure fund and the airport fund, respectively. The City also did not record its net pension asset from its pension trust funds on the government-wide financial statements as of September 30, 2007. This represents an increase in net assets as of September 30, 2007 of \$52,170. The impact of these restatements on fund financial statements and government-wide financial statements is as follows:

	Airport Fund	Business- Type Activities	
Net Assets originally reported - September 30, 2007	\$ 6,963,328	\$ 13,953,617	
Additional grant revenue	57,470	57,470	
Restated net assets – September 30, 2007	\$ 7,020,798	\$ 14,011,087	
	General Fund	Infrastructure Fund	Governmental Activities
Fund balance/net assets originally reported - September 30, 2007	\$ 1,576,694	\$ 1,819,862	\$ 9,488,740
Additional grant revenue	108,330	-	108,330
Additional intergovernmental revenue	49,937	57,892	107,829
Overstatement of fines and forfeitures	(57,695)	-	-
Net pension asset	-	-	52,170
Restated net assets – September 30, 2007	\$ 1,677,266	\$ 1,877,754	\$ 9,757,069

(19) **Other Postemployment Benefits (OPEB):**

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, 2007 (fiscal year 2009). In anticipation of this requirement, the City of Avon Park will contract in fiscal year 2009 for an actuarial valuation of the potential annual liability related to the retiree health insurance continuation requirement.

(20) **Correction of an Error:**

Subsequent to the issuance of the City's September 30, 2008 financial statements, management became aware that certain investment and cash balances in the Police Officers' Retirement System fund were understated by \$307,997 due to inaccurate reconciliation of investment statements and due from other governments was overstated by \$66,163. The correction of these items in the revised financial statements has the effect of increasing assets and changes in net assets by \$241,834 as of and for the year ended September 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PENSION FUNDING PROGRESS
SEPTEMBER 30, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age Normal (b)	Unfunded AAL (uaal) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll ((b- a)/c)
Firefighters' Retirement Trust						
10/01/02	2,190,083	2,190,083	-	100.00%	485,591	0.00%
10/01/03	2,281,673	2,281,673	-	100.00%	547,028	0.00%
10/01/04	2,363,295	2,601,933	238,638	90.83%	617,694	38.63%
10/01/05	2,559,504	3,138,324	578,820	81.56%	608,202	95.17%
10/01/06	2,798,112	3,464,093	665,981	80.77%	660,315	100.86%
10/01/07	3,131,140	3,750,769	619,629	83.48%	690,352	89.76%
Police Officers' Retirement Trust						
10/01/02	3,064,373	3,064,373	-	100.00%	939,029	0.00%
10/01/03	3,307,546	3,307,546	-	100.00%	969,387	0.00%
10/01/04	3,543,135	3,543,135	-	100.00%	994,853	0.00%
10/01/05	3,916,363	3,916,363	-	100.00%	953,822	0.00%
10/01/06	4,416,529	4,416,529	-	100.00%	920,328	0.00%
10/01/07	4,939,711	4,519,021	(420,689)	109.31%	1,051,409	-40.01%

**CITY OF AVON PARK, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND
OTHER CONTRIBUTING ENTITIES
SEPTEMBER 30, 2008**

Firefighters' Retirement System:

Year Ended September 30	Annual Required Contributions	City Actual Contribution	State Actual Contribution	Percentage Contributed
2002	35,335	25,359	29,779	156%
2003	59,444	30,690	29,779	102%
2004	75,396	45,617	29,779	100%
2005	112,120	98,172	36,339	120%
2006	120,684	94,402	37,674	108%
2007	134,224	103,553	37,674	105%

Police Officers' Retirement System:

Year Ended September 30	Annual Required Contributions	City Actual Contribution	State Actual Contribution	Percentage Contributed
2002	140,527	98,237	42,290	100%
2003	151,066	108,776	42,290	100%
2004	182,820	140,531	42,290	100%
2005	201,822	159,532	42,290	100%
2006	215,976	176,952	59,657	110%
2007	186,668	183,301	59,657	130%

SUPPLEMENTARY INFORMATION

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, 2008.

**CITY OF AVON PARK, FLORIDA
COMBINING SCHEDULE OF DEPOSITS AND WITHDRAWALS
CRA FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	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	\$ 101,561	\$ 48,134	\$ 25,220	\$ 174,915
Highlands County	118,342	56,089	29,388	203,819
Investment income	3,190	2,095	1,645	6,930
Fines and forfeitures	977	-	-	977
Total revenues	<u>224,070</u>	<u>106,318</u>	<u>56,253</u>	<u>386,641</u>
Expenditures				
Personal services	1,710	3,469	10,170	15,349
Professional services	473	831	313	1,617
Miscellaneous	1,312	7,400	-	8,712
Repairs and maintenance	20,147	-	-	20,147
Grants and subsidies	19,060	88,687	-	107,747
Capital projects	65,719	-	-	65,719
Transfers to other funds	5,000	-	-	5,000
Total expenditures	<u>113,421</u>	<u>100,387</u>	<u>10,483</u>	<u>224,291</u>
Excess of revenues over expenditures	<u>110,649</u>	<u>5,931</u>	<u>45,770</u>	<u>162,350</u>
Fund balances, beginning of year	134,127	112,887	91,613	338,627
Fund balances, end of year	<u>\$ 244,776</u>	<u>\$ 118,818</u>	<u>\$ 137,383</u>	<u>\$ 500,977</u>



Southside Veterans Garden

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.	75 - 80
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	81 - 84
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.	85 – 87
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.	88 - 89
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.	90 - 92

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

City of Avon Park, Florida
Net Asset by Component
TABLE 1
Last Five Fiscal Years
(Accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
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
Restricted	1,307,857	1,087,382	738,326	581,465	2,666,359
Unrestricted	1,493,764	3,180,448	3,138,896	2,293,598	364,102
Total governmental activities net assets	<u>\$ 6,754,128</u>	<u>\$ 7,616,061</u>	<u>\$ 8,402,472</u>	<u>\$ 9,757,069</u>	<u>\$ 9,969,737</u>
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
Restricted	-	-	33,222	196,897	1,452,902
Unrestricted	1,703,160	1,237,761	226,135	(72,940)	(1,444,248)
Total business-type activities net assets	<u>\$ 9,626,835</u>	<u>\$ 10,385,669</u>	<u>\$ 11,087,301</u>	<u>\$ 14,011,087</u>	<u>\$ 15,266,918</u>
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
Restricted	1,307,857	1,087,382	771,548	778,362	4,119,261
Unrestricted	3,196,924	4,418,209	3,365,031	2,220,658	(1,080,146)
Total primary government net assets	<u>\$ 16,380,963</u>	<u>\$ 18,001,730</u>	<u>\$ 19,489,773</u>	<u>\$ 23,768,156</u>	<u>\$ 25,236,655</u>

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

City of Avon Park, Florida
Net Asset by Component
TABLE 2
Last Five Fiscal Years
(Accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses					
Governmental activities					
General government	\$ 1,067,760	\$ 1,412,143	\$ 696,838	\$ 839,227	\$ 839,831
Public Safety	3,593,563	3,699,731	4,113,474	4,425,156	4,413,416
Highways and streets	479,592	536,904	617,352	655,262	671,528
Culture and recreation	658,053	732,136	899,661	880,605	803,476
Economic development	-	32,858	77,400	253,856	167,557
Interest on long-term debt	95,172	94,974	84,037	83,058	82,976
Total governmental activities expenses	5,894,140	6,508,746	6,488,762	7,137,164	6,978,784
Business-type activities:					
Water/Sewer	2,752,836	2,756,078	2,944,524	3,139,165	3,249,266
Airport	287,579	618,533	477,787	421,861	669,003
Solid Waste	1,058,188	1,257,198	1,183,211	1,240,404	1,226,273
Total business-type activities expenses	4,098,603	4,631,809	4,605,522	4,801,430	5,144,542
Total primary government expenses	\$ 9,992,743	\$ 11,140,555	\$ 11,094,284	\$ 11,938,594	\$ 12,123,326
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 16,371	\$ 11,660	\$ 82,977	\$ 8,325	\$ 14,591
Public Safety	739,805	760,837	778,784	979,019	984,644
Physical environment	414,368	53,598	41,763	62,609	65,809
Culture and recreation	32,373	37,720	41,941	50,470	60,683
Economic environment	-	-	5,000	-	-
Operating grants and contributions	599,777	868,975	390,049	568,588	541,911
Capital grants and contributions	383,247	182,119	432,888	640,221	208,786
Total governmental activities program revenues	2,185,941	1,914,909	1,773,402	2,309,232	1,876,424
Business-type activities:					
Charges for services:					
Water/Sewer	2,675,627	2,831,844	3,273,880	3,672,544	3,294,960
Airport	183,507	194,709	285,978	222,695	340,169
Solid Waste	1,162,145	1,345,082	1,383,152	1,408,396	1,396,364
Operating grants and contributions	24,975	96,728	-	-	-
Capital grants and contributions	370,065	299,334	506,962	2,346,747	1,200,727
Total business-type activities program revenues	4,416,319	4,767,697	5,449,972	7,650,382	6,232,220
Total primary government program revenues	\$ 6,602,260	\$ 6,682,606	\$ 7,223,374	\$ 9,959,614	\$ 8,108,644

(continued)

City of Avon Park, Florida
Net Asset by Component
TABLE 2
Last Five Fiscal Years
(Accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net(expenses)/revenue:					
Governmental activities	\$ (3,708,199)	\$ (4,593,837)	\$ (4,715,360)	\$ (4,827,932)	\$ (5,102,360)
Business-type activities	317,716	135,888	844,450	2,848,952	1,087,678
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>

**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
Sales taxes	802,563	872,168	984,435	914,793	805,855
Services taxes	314,991	338,835	351,368	355,120	342,411
Franchise taxes	393,308	439,844	512,342	532,044	516,410
Utility taxes	535,688	566,589	600,294	625,394	620,803
Unrestricted intergovernmental revenue	814,231	1,271,508	1,334,717	1,275,182	1,113,046
Insurance Proceeds	-	437,687	-	-	-
Gain (Loss) on Sale of Capital Assets	4,044	-	474	7,499	-
Investment earnings	16,028	69,037	115,388	124,509	134,938
Miscellaneous	12,292	5,329	6,822	29,244	82,966
Transfers	107,506	160,508	203,570	82,399	50,000
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>
Business-type activities:					
Insurance Proceeds	-	758,683	-	-	-
Investment earnings	45,974	33,246	60,752	112,783	56,056
Gain (Loss) on Sale of Capital Assets	-	(8,475)	-	(13,020)	-
Miscellaneous	-	-	-	-	162,097
Transfers	(107,506)	(160,508)	(203,570)	(82,399)	(50,000)
Total business-type activities	<u>(61,532)</u>	<u>622,946</u>	<u>(142,818)</u>	<u>17,364</u>	<u>168,153</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>

Change in Net Assets

Governmental activities	462,809	861,933	786,411	882,107	212,668
Business-type activities	256,184	758,834	701,632	2,866,316	1,255,831
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>

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

City of Avon Park, Florida
Governmental Activities Tax Revenues by Source
TABLE 3
Last Five 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

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

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 3,722	\$ 16,305	\$ 92,853	\$ 2,317,005	\$ 1,849,342	\$ 1,344,040	\$ 1,130,111	\$ 783,880	\$ 1,185,340	\$ 413,604
Unreserved	895,051	1,051,475	1,174,974	1,249,015	1,247,639	1,224,309	1,574,061	1,590,879	391,354	652,601
Total general fund	\$ 898,773	\$ 1,067,780	\$ 1,267,827	\$ 3,566,020	\$ 3,096,981	\$ 2,568,349	\$ 2,704,172	\$ 2,374,759	\$ 1,576,694	\$ 1,066,205
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,024,903	\$ -
Unreserved, reported in:										
Special revenue fund	1,792,492	1,818,025	1,784,278	1,115,347	650,481	724,678	1,108,154	1,488,830	1,137,442	2,698,366
Total all other governmental funds	\$ 1,792,492	\$ 1,818,025	\$ 1,784,278	\$ 1,115,347	\$ 650,481	\$ 724,678	\$ 1,108,154	\$ 1,488,830	\$ 2,162,345	\$ 2,698,366

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, Florida
Changes in Fund Balances of Governmental Funds
TABLE 5

Last Ten Fiscal Years
(Modified accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 2,387,720	\$ 3,080,822	\$ 3,496,097	\$ 3,254,993	\$ 3,299,667	\$ 3,457,681	\$ 3,758,858	\$ 4,084,606	\$ 4,571,047	\$ 4,175,151
Licenses and permits	71,406	62,914	53,732	58,660	66,355	59,865	91,069	38,747	51,213	37,271
Intergovernmental	1,653,308	984,353	1,049,858	1,192,898	1,334,331	1,960,225	2,129,723	1,958,848	2,306,341	1,627,541
Charges for services	17,708	32,021	25,039	378,522	379,158	541,209	562,775	645,419	844,293	845,875
Fines and forfeitures	83,364	128,690	126,353	141,944	155,682	146,474	120,461	112,871	105,174	148,272
Investment earnings	-	179,976	163,813	122,396	52,803	15,834	68,674	114,904	124,139	134,627
Miscellaneous	210,597	75,074	98,526	110,298	109,951	68,155	40,934	44,079	74,903	123,189
Total revenues	4,424,103	4,543,850	5,013,418	5,259,711	5,397,947	6,249,443	6,772,494	6,999,474	8,077,110	7,091,926
Expenditures										
General government	526,701	563,305	600,930	533,459	499,953	1,005,279	1,349,765	637,430	794,233	708,914
Public Safety	2,379,214	2,502,206	2,742,127	2,780,003	3,073,836	3,377,825	3,424,835	3,826,250	4,131,301	4,272,451
Physical Environment	342,476	254,189	325,858	355,575	339,063	448,819	480,267	527,964	567,461	573,661
Economic Environment	4,402	21,747	-	-	-	-	32,858	774,191	738,344	167,557
Culture and recreation	465,470	414,054	383,736	452,427	494,477	558,166	626,207	77,400	394,094	665,805
Capital outlay	678,773	812,591	1,075,896	1,263,769	1,644,272	1,181,435	705,812	1,155,780	1,968,768	663,041
Debt service	-	-	19,903	115,411	224,456	125,372	593,268	138,821	190,005	200,601
Principal Interest	-	-	-	-	-	96,524	96,706	86,074	84,770	83,766
Other Charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	4,397,036	4,568,092	5,148,450	5,500,644	6,276,057	6,793,420	7,309,718	7,223,910	8,868,976	7,335,796
Excess of revenues over (under) expenditures	27,067	(24,242)	(135,032)	(240,933)	(878,110)	(543,977)	(537,224)	(224,436)	(791,866)	(243,870)
Other financing sources (uses)										
Transfers in	107,500	226,882	219,622	248,320	273,000	298,000	265,000	326,144	238,556	279,915
Transfers Out	-	(7,260)	(139,290)	(419,958)	(328,795)	(207,495)	(104,492)	(122,574)	(156,157)	(229,915)
Insurance Proceeds	-	-	-	-	-	-	437,687	72,129	376,900	60,938
Proceeds from the issuance of debt	-	-	221,000	2,041,833	-	-	461,221	-	-	-
Total other financing sources (uses)	107,500	219,622	301,332	1,870,195	(55,795)	90,505	1,059,416	275,699	459,299	110,938
Net change in fund balances	\$ 134,567	\$ 195,380	\$ 166,300	\$ 1,629,262	\$ (933,905)	\$ (453,472)	\$ 522,192	\$ 51,263	\$ (332,567)	\$ (132,932)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.49%	2.72%	4.85%	3.95%	10.45%	3.71%	3.98%	4.26%

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

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
1999	\$ 189,405,867	\$ 39,594,930	\$ 83,009,487	\$ 145,991,310	8.75	\$ 286,250,996	51.00%
2000	200,249,363	39,816,030	91,460,733	148,604,660	9.00	300,081,741	49.52%
2001	202,754,087	40,078,850	91,364,437	151,468,500	8.25	303,541,171	49.90%
2002	210,657,942	40,152,220	95,157,916	155,652,246	7.75	313,512,703	49.65%
2003	221,312,436	37,715,940	102,038,486	156,989,890	7.75	323,785,470	48.49%
2004	244,261,214	38,569,160	114,676,590	168,153,784	7.75	353,537,968	47.56%
2005	276,913,839	37,009,640	131,080,240	182,843,239	7.75	392,404,349	46.60%
2006	344,367,099	37,738,400	161,529,697	220,575,802	7.50	477,631,874	46.18%
2007	421,242,113	39,021,780	192,399,656	267,864,237	7.50	575,329,866	46.56%
2008	432,986,988	41,482,500	190,894,960	283,574,528	6.30	593,086,860	47.81%

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, Florida
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	Southwest FI Water District		Southwest FI Water District
1999	8.7500	-	8.7500	8.5000	-	8.5000	9.2480	-	9.2480	0.6970	0.6170	27.8120
2000	9.0000	-	9.0000	8.5000	-	8.5000	8.9550	-	8.9550	0.6970	0.6170	27.7690
2001	8.2500	-	8.2500	8.5000	-	8.5000	8.7280	-	8.7280	0.6970	0.6170	26.7920
2002	7.7500	-	7.7500	8.5000	-	8.5000	8.6940	-	8.6940	0.6970	0.6170	26.2580
2003	7.7500	-	7.7500	9.0000	-	9.0000	8.7660	-	8.7660	0.6970	0.6170	26.8300
2004	7.7500	-	7.7500	9.0000	-	9.0000	8.4750	-	8.4750	0.6970	0.6170	26.5390
2005	7.7500	-	7.7500	9.0000	-	9.0000	7.8850	-	7.8850	0.6970	0.6170	25.9490
2006	7.5000	-	7.5000	8.5000	-	8.5000	7.9090	-	7.9090	0.5970	0.6170	25.1230
2007	7.5000	-	7.5000	8.5000	-	8.5000	7.6640	-	7.6640	0.6240	0.5693	24.8573
2008	6.3017	-	6.3017	7.1000	-	7.1000	7.6870	-	7.6870	0.5346	0.5693	22.1926

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, Florida
Principal Property Taxpayers
TABLE 8
Current Fiscal Year and Three Years Prior**

<u>Taxpayer</u>	2005			2008		
	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	1	1.9635%	\$ 6,784,203	1	2.3924%
Avon Square LTD	4,428,548	2	1.5993%	4,808,599	3	1.6957%
Prime Park Partners	3,301,990	3	1.1924%	-		
Highlands Plaza Center, LLC	-		0.0000%	3,697,409	4	1.3039%
Brookline Central Fla Co ET	1,929,028	4	0.6966%	2,128,255	8	0.7505%
Wayne C. Rickertt	1,792,021	5	0.6471%	2,106,730	9	0.7429%
Jarrett Properties LTD	-		0.0000%	2,383,522	5	0.8405%
Joan R. Jarrett	1,494,499	6	0.5397%	-	-	
Las Palmas Resort	1,252,551	7	0.4523%	-	-	
Florida Power Corp.	1,214,010	8	0.4384%	2,082,041	10	0.7342%
Avon Park Retail 1 LLC	1,159,012	9	0.4185%	-		
Walgreen Co.	1,148,091	10	0.4146%	-		
Ben Hill Griffin Inc	-			2,166,869	7	0.7641%
Walmart Stores East LP	-			2,376,900	6	0.8382%
Lake Damon Development LLC	-			5,902,500	2	2.0815%
Total	<u>\$ 23,157,033</u>		8.3625%	<u>\$ 34,437,028</u>		12.1439%
Total Assessed Value	276,913,839			283,574,528		

Source: Highlands County Property Appraiser's Office.

NOTE: Due to the low volume of property sales in Highlands County for the current fiscal year, the Taxable Assessed Values have not been updated/changed from 2007. Assessed Values are based on the overall property sales for a given area; with little or no sales recorded, the Property Appraiser has no legal method of adjusting the value of the property.

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

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
1999	1,287,717	1,210,095	93.97%	\$	5,685	1,215,780	94.41%
2000	1,352,356	1,257,492	92.99%		8,997	1,266,489	93.65%
2001	1,253,380	1,187,447	94.74%		27,269	1,214,716	96.92%
2002	1,269,905	1,132,620	89.19%		8,051	1,140,671	89.82%
2003	1,239,289	1,117,959	90.21%		5,449	1,123,408	90.65%
2004	1,271,980	1,096,420	86.20%		9,878	1,106,298	86.97%
2005	1,393,685	1,200,798	86.16%		31,713	1,232,511	88.44%
2006	1,669,351	1,324,043	79.31%		5,658	1,329,701	79.65%
2007	1,615,500	1,521,495	94.18%		4,007	1,525,502	94.43%
2008	1,690,625	1,622,622	95.98%		24,560	1,647,182	97.43%

Source: City of Avon Park General Ledger.

No 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, Florida
Ratios of Outstanding Debt by Type
TABLE 10
Last Ten Fiscal Year

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	General Obligation Bonds	Capital Leases			
1999	-	-	-	6,186,633	-	-	6,186,633	3.39%	766
2000	-	-	-	6,036,517	-	-	6,036,517	2.58%	677
2001	207,795	-	-	5,747,915	-	-	5,955,710	2.54%	668
2002	180,485	1,910,000	-	5,634,800	-	-	7,725,285	3.30%	866
2003	151,678	1,815,000	-	5,145,715	1,745,370	88,364	8,946,127	3.82%	1,003
2004	121,307	1,720,000	-	5,750,000	1,957,064	127,436	9,675,807	4.13%	1,085
2005	89,260	1,620,000	-	5,350,000	2,856,213	91,044	10,006,517	4.27%	1,122
2006	55,439	1,515,000	-	4,920,000	2,137,415	54,802	8,682,656	3.71%	974
2007	347,351	1,410,000	-	4,485,000	1,704,278	14,297	7,960,926	2.90%	879
2008	260,510	1,300,000	-	4,040,000	1,215,741	-	6,816,251	2.49%	755

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 88 for personal income and data.

City of Avon Park, Florida
Direct and overlapping Governmental Activities Debt
TABLE 11
As of September 30, 2008

<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	73,200,000	12% *	\$ 8,784,000
Total direct and overlapping debt			<u>\$ 8,784,000</u>

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

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

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

City of Avon Park, Florida
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
1999	2,240,955	1,114,344	1,126,611	215.33%	N/A	N/A	N/A	N/A
2000	2,294,111	1,133,649	1,160,462	194.80%	N/A	N/A	N/A	N/A
2001	2,241,640	1,367,113	874,527	146.11%	N/A	N/A	N/A	N/A
2002	2,057,037	1,454,948	602,089	103.20%	N/A	N/A	N/A	N/A
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%

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, Florida
Demographic and Economic Statistics
TABLE 13
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
1999	8078	182,514	22,594	N/A	N/A	N/A	N/A
2000	8917	234,098	26,253	35.8	N/A	2138	N/A
2001	8917	234,098	26,253	35.8	N/A	2138	N/A
2002	8917	234,098	26,253	35.8	N/A	2138	N/A
2003	8917	234,098	26,253	35.8	N/A	2138	5.70%
2004	8917	234,098	26,253	35.8	N/A	2138	5.70%
2005	8917	234,098	26,253	35.8	N/A	2138	4.00%
2006	8917	234,098	26,253	35.8	N/A	2138	4.00%
2007	9056	274,478	30,309	50.6	N/A	2138	4.00%
2008	9030	273,997	30,343	50.5	N/A	3949	8.30%

Note:

- 1 Census is taken every ten years. Amount are reflective from 1990 and 2000 census.
- 2 Unemployment rate is the County unemployment rate.
- 3 Information taken from Avon Park Chamber of Commerce.

**City of Avon Park, Florida
Principal Employers
TABLE 14
Current Year 2008**

Employer	Employees	Rank	% of total city employment
South Florida Community College	440	1	12.74%
Wal- Mart	350	2	10.13%
Highlands County School Board			
Avon Park High School	117	3	3.39%
Avon Elementary School	91	5	2.63%
Avon Park Middle School	88	6	2.55%
City of Avon Park	105	4	3.04%
Publix	85	7	2.46%
Bill Jarrett Ford	78	8	2.26%
Winn Dixie	75	9	2.17%
Elberta Crate	69	10	2.00%
Central Florida Health Care	60	11	1.74%
Jahna Concrete	41	12	1.19%
Total	1,599		46.28%

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

Note: Information for nine years ago is not available.

City of Avon Park, Florida
Full-time Equivalent City Government Employees by Function
TABLE 15
Last Seven Fiscal Years

	2002	2003	2004	2005	2006	2007	2008
General Government	6	6	7	7	9	10	10
Public Safety							
Police	28	28	28	29	30	28	27
Civilians	11	11	11	11	11	11	11
Fire							
Firefighters and officers	16	17	17	17	17	17	18
Civilians	1	2	2	2	2	5	4
Highways and Streets							
Maintenance	3	2	7	7	7.5	7.5	7.5
Solid Waste	10	10	10	9	9.5	9.5	9.5
Culture and Recreation	13	13	15	15	15	17	17
Water	14	14	16	15	17	17	18
Sewer	3	3	4	4	4	4	4
Total	105	106	117	116	122	126	126

Source: City of Avon Park Payroll Department.

Note: Ten years of information is not available

City of Avon Park, Florida
Operating Indicators by Function
TABLE 16
Last Seven Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008
Police							
Physical arrest	1,139	1,222	1,129	946	1,021	916	583
Parking violations	8	20	23	31	23	20	32
Traffic violations	3,424	3,422	2,611	1,862	2,246	2,074	1,292
Fire							
Number of calls answered	1,044	1,035	1,093	1,075	1,119	1,101	1,138
Inspections	26	206	91	109	282	415	381
Highways and streets							
Street resurfacing (miles)	2.6	7.9	10.5	0.0	0.1	0.0	0.0
Potholes repaired	15	12,333	13,700	35,400	17,327	346	544
Sidewalk (miles)	27.37	27.37	27.37	27.37	27.37	27.77	27.77
Sanitation							
Refuse collected(tons/day)	29.8	23.96	48.64	45.74	40.01	42.00	51.24
Recyclables collected (tons/day)	0	0	0	0	0	0	0
Community Center							
Admissions	8,830	11,300	12,700	10,775	11,750	11,655	9305
Water							
New connections	64	55	68	841	253	251	30
Water mains breaks	7	4	6	3	5	9	7
Average daily consumption	2,323,529	1,949,940	1,748,353	1,914,000	1,731,033	2,070,000	2,244,627
Wastewater							
Average daily sewage treatment (thousands of gallons)	702	704	679	606	581	565	539

Sources: Various government departments.

Note: Ten years of information is not available

City of Avon Park, Florida
Capital Asset Statistics by Function
TABLE 17

Last Seven Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008
Public Safety							
Police:							
Stations	1	1	1	1	1	1	1
Patrol Units	24	24	24	24	24	33	32
Fire Stations	1	1	1	1	1	1	1
Sanitation							
Collection trucks	5	6	6	6	6	7	9
Highway and streets							
Streets (miles)	75	74.75	74.75	74.75	75.25	75.25	75.25
Streetlights	125	125	125	125	125	125	125
Traffic signals	5	5	5	5	5	5	5
Culture and recreation							
Parks acreage	30	30	30	30	30	30	30
Parks	9	9	9	9	10	10	10
Tennis courts	4	4	4	4	4	4	4
Community center	1	1	1	1	1	1	1
Water							
Water mains (miles)	45	45	45	50	50	87	89
Fire hydrants	313	313	313	313	313	450	451
Maximum daily capacity (thousands of gallons)	7,000,000	7,000,000	7,000,000	7,720,000	7,720,000	7,720,000	7,720,000
Sewer							
Sanitary sewers (miles)	31	31	31	31	35	35	37
Storm sewers (miles)	9	9.43	9.43	9.43	9.43	9.48	9.48
Maximum daily treatment capacity	1,500	1500	1500	1500	1500	1500	1500

Sources: Various City departments.

Note: Ten years of information is not available.



Donaldson Park

**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 District) as of and for the year ended September 30, 2008, which collectively comprise the City of Avon Park, Florida's basic financial statements and have issued our report thereon dated March 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2008-1 Grant Administration and Reporting (Prior Year Repeat Comment)

We noted the City did not have its grant compliance monitoring, reporting and accounting duties centralized during the year. These duties are currently shared between several individuals. We noted the City is in the process of reorganizing the duties for grant compliance, monitoring and reporting and have assigned the City's Project Manager to be in charge of capital grants. We recommend the City centralize the grant duties to ensure proper compliance monitoring, maintenance of grant agreements and CFDA or CSFA numbers, timely reporting, and accurate grant accounting. We also noted discrepancies between the amounts reported internally as grant expenditures on the Schedule of Expenditures of Federal Awards and State Financial Assistance and the amounts on the City's general ledger. Such discrepancies also resulted in a prior period adjustment to the financial statements. We recommend the City implement a process whereby the grant schedule is reconciled back to the general ledger by the accounting department and that reconciliation should be reviewed by a second individual for accuracy. This will help ensure proper accounting treatment in the financial statements and proper reporting in the Schedule of Expenditures of Federal Awards and State Financial Assistance.

Management Response:

Management concurs with this finding. In current year there have been timing issues and we are working on finalizing all grant entries before year end in order to allow time for reviews. In the current year we are working on centralizing our grants and major projects. We feel this will take place in 2009 as we reorganize duties.

2008-2 Financial Statement Adjustments

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, 2008 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, 2008, including prior period adjustments. Substantive testing of account balances, analytical procedures and review of the City's trial balances noted the differences and adjustments necessary. Analysis, reconciliation and adjustment of account balances should be performed to ensure accurate financial reporting which is essential in the Council's decision making process. A thorough review, analysis and reconciliation of each account should be performed during the year-end closing process. Differences identified should be analyzed and adjustments to the general ledger accounts should be made when necessary. The City is unable to complete this process due to the limited finance and accounting staff available to perform these functions. We recommend developing procedures to determine the most effective and efficient use of the time of the City's finance and accounting staff in performing the year-end close out process. Since many of the analyses, reconciliations and adjustments necessary are required each year, a list of these items should be compiled to ensure they are completed annually. Unusual account balances should be identified by the Finance Director and analyzed for proper recording.

Management Response:

Management concurs with this finding. In the next year we are working on a reorganization plan for the Finance department. Time has always been a factor and with the reorganization this will allow us to keep current with all procedures. In addition to the daily accounting this will allow us to include an internal audit on various procedures, which will insure all financial accounting is correct. The City is now at a time when this is much needed.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe finding 2008-2 described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below:

2008-3 Use of Local Government Infrastructure Surtax Proceeds (Prior Year Repeat Comment)

The Infrastructure Fund accounts for the Local Government Infrastructure Surtax proceeds that are governed by Florida Statute 212.055(2). That statute restricts the use of the proceeds and any interest accrued to financing, planning and constructing infrastructure, acquiring land for public recreation or conservation, or protection of natural resources. The statute prohibits the use of the funds for operational expenses. As of September 30, 2008, the City's Airport and Water and Sewer Funds had negative cash balances of \$308,197 and \$1,489,511, respectively. This deficit cash position has resulted in those funds borrowing a combined \$859,320 from the Infrastructure Fund for operational and other financial needs. This loan is an unauthorized use of Infrastructure Surtax Funds. In the prior year, the City's Infrastructure fund subsidized similar deficit cash positions in the Airport and Water and Sewer Funds. It is common for governments to pool the cash and investments of various funds. Each fund's position in the pool is reflected as an asset. When an individual fund overdraws its share of pooled cash, the overdraft is reflected as an interfund liability. Likewise, an equivalent amount of some other fund's position in the pool is reclassified as an interfund receivable as determined by management. Insufficient positive cash flow in the Airport and Water and Sewer Funds has resulted in a "loan" from the Infrastructure Fund. This system and accounting treatment can allow for misinterpretation of the overall financial position of the City if not considered along with other pertinent information such as aging of interfund balances, restrictions on use of revenues, cash balances, and realistic performance of proprietary funds. We

recommend developing a plan of repayment of the cash advances from the Infrastructure Fund beginning in the next fiscal year. Account balances should be monitored to ensure that adequate cash is available in the pool to cover deficit balances in funds without using funds restricted for specific purposes.

Management Response:

Management concurs with this finding. Negative cash balances occurred again in this year. The City is making progress on receiving cash payments due in the airport fund for prior years deficits. A more aggressive approach to collecting past due accounts is in process. The airport deficit is due to timing issues of funds not being collected in the current year. We should not have this occur in 2009.

The water and sewer fund must pay off current debt and increase revenues in order to repay this loan. Revenues need to increase in order to cover operating expenses. In 2009 our debt payments will decrease.

2008-4 Budgetary Compliance (Prior Year Repeat Comment)

Florida Statute 166.241(2) states “the budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations.” In the current year, the City’s Infrastructure Fund expenditures for the Police Department exceeded the approved final budget by \$19,827 and transfers out exceeded the approved final budget by \$50,000. General Fund expenditures for the Fire Department exceeded the approved final budget in total by \$29,713. The City’s legal level of budgetary control is the department level. While expenditures of the funds as a whole were under budget, expenditures for the departments exceeded the final budget. This over-expenditure of budget may evidence that the City is not fully regulating its expenditures or recognizing the proper period in which expenditures should be recorded. The budget was not monitored to identify the expenditures in excess of the final budget. We recommend the City monitor its budget and make adjustments as needed to maintain proper budgetary control in accordance with the provisions of F.S 166.241.

Management Response:

Management concurs with this finding. The Finance Department does monitor the budget and adjustments are made during the year. The year-end overages are normally due to year-end adjustments. The fire and police budgets were additions to the relocating of the 911 dispatch system. In the event of reorganizing the finance department and additional staff this will eliminate any timing issues and discrepancies.

Management Comments and Recommendations

Our report on the internal control over financial reporting has been presented in the previous section of this report. The purpose of this section is to disclose conditions, which do not materially affect the financial statements of the City. The following comments and recommendations are made to assist the City and management in administering future operations.

2008-5 Disaster Recovery Plan and Information Technology

We noted the City has documented in writing a business continuation plan in case of emergencies. However, the City has not documented or implemented the proper procedures in regard to their computer backups. We recommend the following procedures be implemented:

- The policy should address backup archiving, including frequency and identification of which backups to archive.
- The City should test its backups on a regular basis to ensure all information backed up is retrievable.

Management Response:

Management does not concur with this finding. The City does not have a written policy on all of these procedures, but they are being followed. The City having moved its accounting system to Sungard ASP located in Lake Mary and Atlanta which eliminates our backing up the system. Backups are performed daily and this allows the City to have an off-site storage. This is in conjunction with our disaster recovery plan.

Daily back ups are performed on the in-house server daily and are taken to the fire department fire safe to obtain and off-site location. This server contains files prepared by staff for various activities, letters, memo, etc. Financial, payroll, utilities, purchasing data etc. are not located on the in house server. These are located with the accounting system off-site.

The City's response to the findings identified in our audit is included as part of this letter above. We did not audit the City's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the City of Avon Park, Florida in a separate letter dated March 16, 2009.

This report is intended solely for the information and use of the Auditor General of the State of Florida, management, honorable Mayor and members of the City Council, others within the City and respective Federal and State program officials and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co.

Daytona Beach, Florida
March 16, 2009

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

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

We have audited the basic financial statements of the City of Avon Park, Florida (the City), as of and for the year ended September 30, 2008, and have issued our report thereon dated March 16, 2009.

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. We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated March 16, 2009. Disclosures in those reports, if any, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

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

The Rules of the Auditor General (Sections 10.554(1)(i) 3. and 4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on internal control over financial reporting and on compliance and other matters: (1) recommendations to improve financial management and (2) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. Our audit disclosed none of these matters not already addressed in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

The Rules of the Auditor General (Section 10.554(1)(i) 5.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on internal control over financial reporting and on compliance and other matters. For matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or were likely to have occurred; (2) improper or inadequate procedures (e.g., the omission of required disclosures from the annual financial statements); (3) failures to properly record financial transactions; (4) and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. Our audit disclosed none of these matters not already addressed in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

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

The Rules of the Auditor General (Section 10.554(1)(i) 7.a.), require that we comment as to whether or not one or more of the conditions described in Section 218.503(1), Florida Statutes, regarding determination of financial emergency have been met. In connection with our audit, we determined that the City of Avon Park, Florida did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. Although the City of Avon Park, Florida reported deficit unrestricted net assets of \$1,444,248 and \$137,726 in its water and sewer fund and its airport fund, respectively, as of September 30, 2008, the City of Avon Park, Florida had unreserved general fund balance and unrestricted capital assets available to cover the reported deficit and the disposal of such assets would not impair the City of Avon Park, Florida's ability to carry out its functions.

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

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

This management letter is intended solely for the information and use of the City of Avon Park, Florida, management, others within the City, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida
March 16, 2009

