

**CITY OF AVON PARK, FLORIDA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**

**CITY OF AVON PARK, FLORIDA  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avon Park, Florida (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the pension trust funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, 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 the City as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund, Infrastructure Fund, and CRA Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

During fiscal year ended September 30, 2018, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the City reported a restatement for the change in accounting principle (see Note 13). Our auditors' opinion was not modified with respect to the restatement.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, information on other postemployment benefits on page 78, and information on pension benefits on pages 79 through 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

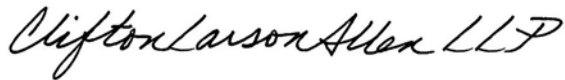
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The combining financial statements and schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2019, on our consideration of the City'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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Sebring, Florida  
August 15, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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, 2018.

**FINANCIAL HIGHLIGHTS**

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by \$52.5 million (net position). Of this amount, \$36.1 million represented the City's net investment in capital assets, and \$3.4 million was restricted by laws or capital projects. The remaining \$13.0 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's change in net position was \$4.1 million for its current year activity, of which \$1.2 million was an increase from governmental activities, and \$2.9 million was an increase from business-type activities.
- As of September 30, 2018, the City reported combined governmental ending fund balances of \$8.9 million an increase of \$1.0 million from the prior year. In addition, the City reported combined proprietary fund net position of \$34.5 million, an increase of \$2.9 million from the prior year.
- At September 30, 2018, unassigned fund balance (the City's Reserves) for the general fund was \$4.3 million, or 101% of total general fund expenditures. By policy, the City is only required to keep reserves of 20%.

**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 position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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, transportation, culture and recreation, and economic environment. The business-type activities of the City include water and sewer, airport, and solid waste activities.

The government-wide financial statements can be found on pages 17-18 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 three 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, Infrastructure Fund, and CRA Fund (Main Street, South Side, and Airport). The General Fund, Infrastructure Fund, and CRA Fund are considered major funds.

The City adopts an annual appropriated budget for its General Fund, Infrastructure Fund, and CRA Fund. A budgetary comparison statement has been provided for the General Fund, Infrastructure Fund, and CRA Fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 19-25 of this report.

**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**Proprietary Funds.** The City of Avon Park maintains three proprietary funds. Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City used proprietary 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 major funds of the City. The basic proprietary fund financial statements can be found on pages 26-29 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 30-31 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 32-77 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 and other postemployment benefits to its employees. Required supplementary information can be found on pages 79-86 of this report.

## **Government-wide Financial Analysis**

### **Statement of Net Position:**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$52.5 million at the close of the most recent fiscal year.

The largest portion of the City's net position, \$36.1 million (69%), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt, if any, 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.

An additional portion of the City's net position, \$3.4 million (6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$13.0 million (25%).

**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

The following table reflects a condensed statement of net position for the current year as compared to the prior year. For information that is more detailed see the statement of net position on page 17.

**City of Avon Park's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 9,651,460	\$ 8,302,529	\$ 10,762,356	\$ 8,934,479	\$ 20,413,816	\$ 17,237,008
Capital Assets	9,928,025	9,877,609	26,388,654	24,802,714	36,316,679	34,680,323
Total Assets	19,579,485	18,180,138	37,151,010	33,737,193	56,730,495	51,917,331
Deferred Outflows of Resources	849,904	1,449,706	558,057	508,700	1,407,961	1,958,406
Long-Term Liabilities						
Outstanding	1,889,803	2,409,689	1,110,532	862,384	3,000,335	3,272,073
Other Liabilities	291,092	243,262	1,957,235	1,613,661	2,248,327	1,856,923
Total Liabilities	2,180,895	2,652,951	3,067,767	2,476,045	5,248,662	5,128,996
Deferred Inflows of Resources	291,805	143,732	96,106	48,426	387,911	192,158
Net Position:						
Net Investment in Capital Assets	9,928,025	9,781,107	26,206,960	24,802,714	36,134,985	34,583,821
Restricted	3,337,469	3,050,747	-	-	3,337,469	3,050,747
Unrestricted	4,691,195	4,001,307	8,338,234	6,918,708	13,029,429	10,920,015
Total Net Position	\$ 17,956,689	\$ 16,833,161	\$ 34,545,194	\$ 31,721,422	\$ 52,501,883	\$ 48,554,583

**Governmental Activities.** For the current year, total assets increased \$1,399,347, deferred outflows of resources decreased \$599,802, total liabilities decreased \$472,056, deferred inflows of resources increased \$148,073, which resulted in an increase to net position of \$1,123,528.

The significant changes in total assets include an increase in cash of \$1,736,093, an increase in net pension assets of \$300,421, with offsetting decreases in due from other governments of \$171,091 and prepaid items of \$490,961. The current year's increase in cash was higher by \$1,603,588 when compared to the prior year's increase. The increase in cash is primarily from amounts spent on capital assets during the year being less than the prior year. The increase in net pension assets is from the police pension plan's investments increasing more than the actuarial liability to pay future benefits. The decrease in due from other governments is from the collection of \$252,819 in grant funds earned for a CDBG project earned in the prior year. The decrease in prepaid items is from using a deposit that was paid in the prior year for a new fire truck that was delivered by the manufacture in the current year.

The decrease in deferred outflows and the increase in deferred inflows represent actuarial differences for pension and other post-employment benefit that will be recognized as increases and decreases to expense in future periods. The decrease in deferred out flows of resources is because the current year's investment performance for police and fire pension plans was better than the actuarial expected.

**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

The significant changes in total liabilities include a decrease in long-term liabilities of \$519,886 and an increase in other liabilities of \$47,830. The decrease in long-term liabilities is from net pension liabilities decreasing \$589,308, other post-employment benefits increasing \$142,414 and a decrease in compensated absences of \$72,992. The decrease in net pension liabilities is from the fire pension plan's liability decreasing \$607,681. Of the total increase in other post-employment benefits, \$126,846 was from the implementation of a new accounting standard. The increase in other liabilities is from accounts payable increasing \$53,516 due to the timing of paying vendors.

**Business-type Activities.** For the current year, total assets increased \$3,413,817, deferred outflows of resources increased \$49,357, total liabilities increased \$591,722, deferred inflows of resources increased \$47,680, which resulted in an increase to net position of \$2,823,772.

The significant changes in total assets include an increase in cash of \$1,417,933, a net increase in capital assets of \$1,585,940, and an increase in due from other governments of \$287,223. The current year's cash increase was higher by \$337,757 when compared to the prior year's increase. This increase is primarily from insurance proceeds received during the year by the Airport Fund. The increase in capital assets and due from other governments is from the improvements made to the airport runway and grant draws from federal and state grants that were earned but unpaid at yearend.

The significant changes in total liabilities include increases in long-term liabilities and other liabilities of \$248,148 and \$343,574, respectively. The increase in long-term liabilities is from net pension liabilities increasing \$117,402 from the City's participation in the Florida Retirement System and other post-employment benefits increasing \$118,703. The implementation of a new accounting standard accounted for \$107,429 of the increase. The increase in other liabilities is from accounts payable increasing \$335,405; of this total \$181,694 is from Water and Sewer Fund and Airport capital projects and the remaining \$153,711 increase is related to the timing of how vendors were paid.

**Statement of Activities:**

The following table reflects a condensed statement of activities for the current year as compared to the prior year. For information that is more detailed see the statement of activities on page 18.

**City of Avon Park's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	\$ 602,891	\$ 642,700	\$ 7,163,747	\$ 6,828,811	\$ 7,766,638	\$ 7,471,511
Operating Grants and Contributions	112,940	698,118	93,042	-	205,982	698,118
Capital Grants and Contributions	127,706	397,880	1,806,621	132,906	1,934,327	530,786
General Revenues:						
Property Taxes	248,014	224,111	-	-	248,014	224,111
Other Taxes	2,766,542	2,661,803	-	-	2,766,542	2,661,803
Insurance Recoveries	299,361	-	692,595	-	991,956	-
Other	1,668,846	1,545,317	28,052	61,703	1,696,898	1,607,020
Total Revenues	\$ 5,826,300	\$ 6,169,929	\$ 9,784,057	\$ 7,023,420	\$ 15,610,357	\$ 13,193,349

**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**City of Avon Park's Changes in Net Position (Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Total Revenues	\$ 5,826,300	\$ 6,169,929	\$ 9,784,057	\$ 7,023,420	\$ 15,610,357	\$ 13,193,349
Expenses:						
General						
Government	519,136	637,927	-	-	519,136	637,927
Public Safety	3,175,626	3,143,740	-	-	3,175,626	3,143,740
Transportation	770,383	650,368	-	-	770,383	650,368
Culture and Recreation	519,503	476,025	-	-	519,503	476,025
Economic						
Environment	183,104	458,828	-	-	183,104	458,828
Water and Sewer	-	-	4,051,030	3,325,604	4,051,030	3,325,604
Airport	-	-	685,747	564,822	685,747	564,822
Solid Waste	-	-	1,524,253	1,272,701	1,524,253	1,272,701
Total Expenses	5,167,752	5,366,888	6,261,030	5,163,127	11,428,782	10,530,015
Excess (Deficiency) before Transfers	658,548	803,041	3,523,027	1,860,293	4,181,575	2,663,334
Transfers	591,826	753,641	(591,826)	(753,641)	-	-
Change in Net Position	1,250,374	1,556,682	2,931,201	1,106,652	4,181,575	2,663,334
Net Position - Beginning, Restated	16,706,315	15,276,479	31,613,993	30,614,770	48,320,308	45,891,249
Net Position - Ending	\$ 17,956,689	\$ 16,833,161	\$ 34,545,194	\$ 31,721,422	\$ 52,501,883	\$ 48,554,583

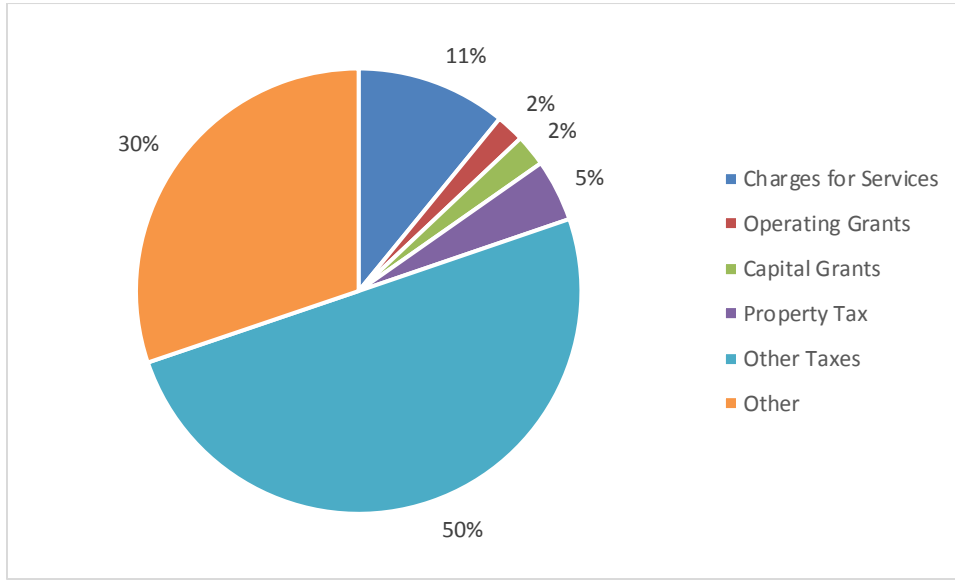
**Governmental Activities.** The City's governmental activities change in net position for the year was \$1,250,374, which is a decrease of \$306,308 in comparison with the prior year's increase. The key components of the decrease compared to the prior year were program revenues decreasing \$895,161, general revenues increasing \$551,532, an increase from expenses decreasing of \$199,136 and a decrease from net transfers in decreasing \$161,815.

The decrease in total program revenues was primarily from a decrease in operating grants and contributions of \$585,178 and a decrease in capital grants and contributions of \$270,174. These decreases are related to projects that are funded by grants and were completed in the prior year. The decrease in operating grants and contributions is from a CDBG streetscape project and the decrease in capital grants and contributions is from improvements to the City's Durrah Martin baseball fields and Martin Luther King Jr, sports complex. The increase in general revenues is primarily from insurance recoveries of \$299,361 related primarily to damage to the old police station. The decrease in net transfers in is from transfers in from the Water & Sewer and Solid Waste to the General Fund decreasing \$100,000 and \$150,000, respectively, and transfers out from the CRA (Airport) to the Airport decreasing \$100,000 when compared to the prior year.

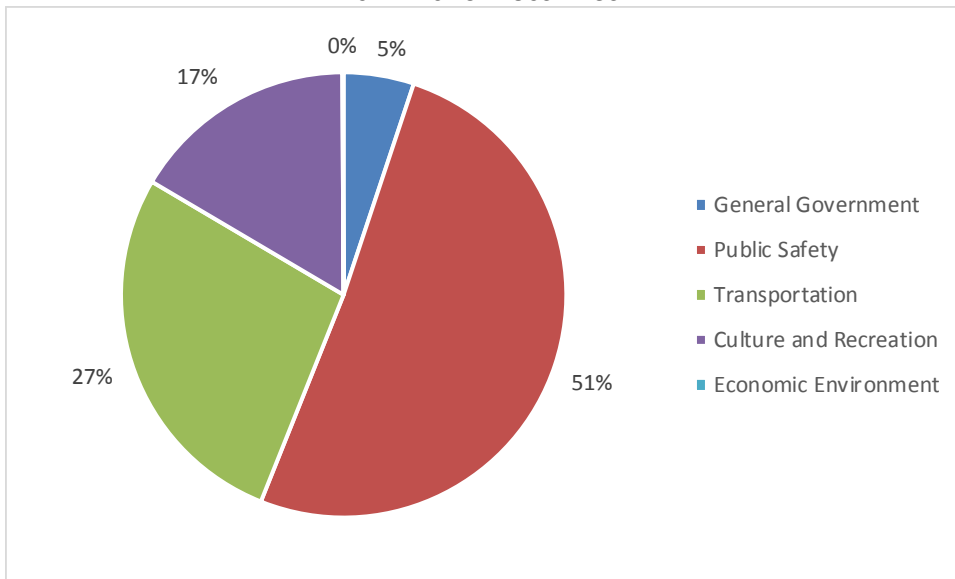
**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

The following graphics reflects the source of revenues and charges for services for governmental activities.

**Revenues by Source – Governmental Activities  
2017-2018 Fiscal Year**



**Program Revenue/Charges for Services – Governmental Activities  
2017-2018 Fiscal Year**

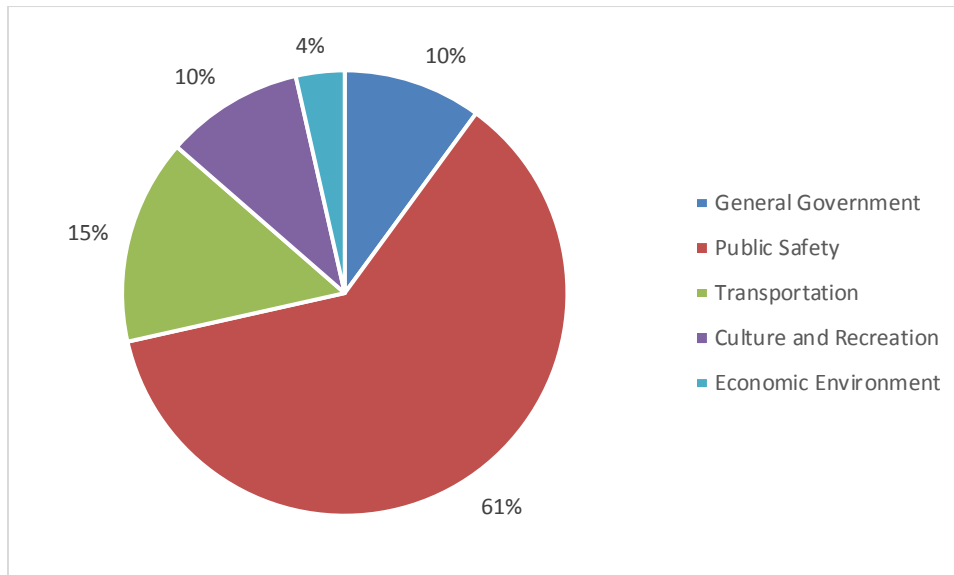


**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

Total program expenses for governmental activities decreased \$199,136 when compared to the prior year. This overall decrease is comprised of increases of \$31,886 in public safety, \$120,015 in transportation and \$43,478 in culture and recreation, that was offset by decreases of \$118,791 in general government and \$275,724 in economic environment when compared to the prior year.

The following graphic reflects the percentage of expenses by function for governmental activities.

Program Expenses – Governmental Activities  
2017-2018 Fiscal Year



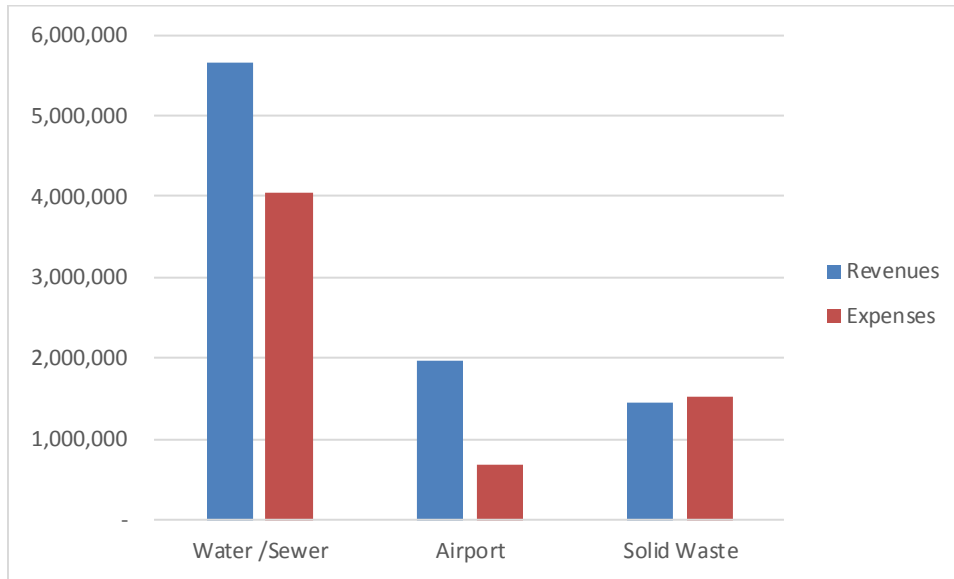
The decrease in economic environment is from expenses for the prior year CDBG streetscape project that were not incurred in the current year and the general government decrease is because of decreases to contract legal expenses that occurred in the prior year but not in the current year. The increase in transportation is from an increase in costs to repair sidewalks located in the right of ways of City streets.



**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**Business-type Activities.** Business-type activities account for 66% of the City's net position. The City maintains three enterprise funds: water and sewer, airport, and solid waste. The water and sewer fund and solid waste fund derive revenues from service fees. The airport derives revenues from rental of the facilities and the sale of aviation fuel.

Program Revenues and Expenses – Business-Type Activities  
2017-2018 Fiscal Year



The City's business-type activities change in net position for the year was \$2,931,201, which was an increase of \$1,824,549 in comparison to the prior year. The key components of the increase compared to the prior year were program revenues increasing \$2,101,693, general revenues increasing \$658,944, less an increase in expenses of \$1,097,903 and an increase from transfers out decreasing \$161,815. The following paragraphs are the key elements by function of the increases and decreases in the Statement of Activities when compared to the prior year.

The Water and Sewer Fund's change in net position for the year was \$1,041,859, which was a decrease of \$247,001 in comparison to the prior year. The key components of this decrease compared to the prior year were program revenues increasing \$378,552, general revenues decreasing \$127, less an increase in expenses of \$725,426 and an increase from net transfers out decreasing \$100,000.

The Water and Sewer Fund's increase in total program revenues was primarily from an increase in charges for services of \$217,147 in addition to increases in operating grants and contributions and capital grants and contributions of \$93,042 and \$68,363, respectively. Transfers out to the General Fund decreased because the current year budgeted amount decreased \$100,000 when compared to the prior year's budget. The increase in operating expenses is primarily due to increases in personal costs of \$198,706 and increases in materials, supplies, services and other operating expenses of \$429,797. Personal costs increased from higher labor costs and other operating costs increased primarily from repair costs incurred for the wastewater treatment plant and an increase in water meter expense of \$259,997 when compared to the prior year.

**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

The Airport Fund's change in net position for the year was \$1,896,328, which was an increase of \$2,057,056 in comparison to the prior year. The key components of the increase compared to the prior year were program revenues increasing \$1,640,482, general revenues increasing \$625,611, less an increase in expenses of \$120,925 and less a decrease in net transfers in of \$88,112.

The Airport Fund's increase in total program revenues was primarily from a \$1,605,352 increase in capital grant revenue that funded the airport's runway improvement project. The increase in general revenues of \$625,611 was from insurance proceeds received from Hurricane Irma damage to hangers at the airport and transfers in decreased because of a one-time transfer of \$100,000 in the prior year from the CRA (Airport) Fund. The increase in operating expenses is due to increases in materials, supplies, services and other operating expenses of \$115,994. The increase in expenses was from repairs related to damage from Hurricane Irma.

The Solid Waste Fund's change in net position for the year was a decrease of \$6,986, which was an improvement of \$14,494 in comparison to the prior year. The key components of the increase compared to the prior year were program revenues increasing \$82,659, general revenues increasing \$33,460, less an increase in expenses of \$251,552 and an increase from net transfers out decreasing \$149,927.

The Solid Waste Fund's increase in total program revenues of \$82,659 was from higher revenues from customers served. The increase in general revenues of \$33,460 was primarily due to the current year insurance gain from a garbage truck that was in an accident exceeding prior year gains on assets by \$30,215. The decrease in transfers out was because budgeted transfers out of \$150,000 in the prior year to the General Fund were not budget in the current year. The increase in operating expenses is primarily due to increases in personal costs of \$97,837 and increases in materials, supplies, services and other operating expenses of \$139,017. Personal costs increased from higher labor costs and other operating costs increased primarily from an increase in landfill charges of \$137,004.

**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, *unassigned 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 \$8,975,931, an increase of \$998,680 in comparison to the prior year. The unassigned fund balance of \$4,279,974, or 48%, is available for spending at the City's discretion. In addition, \$183,691 is committed to payment of compensated absences. The City's Infrastructure Fund and CRA Fund balances are restricted in their use.

**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,301,114 while total fund balance reached \$5,674,203. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance for the current year and prior year as a percent of total general fund expenditures was 98% and 81%, respectively, for an increase of 17% during the fiscal year. The City's fund balance in the general fund for the fiscal year increased \$733,086.

The fund balance of the City's infrastructure fund increased by \$380,424 during the current fiscal year due to the City spending less than it receives in revenues. The fund balance of the City's CRA fund decreased by \$114,830 during the current fiscal year due to the City spending more than it receives in revenues.

**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 position of the Water and Sewer fund and Solid Waste fund at the end of the year was \$7,190,901 and \$1,419,695, respectively. The Airport fund's unrestricted net position was a deficit of \$272,362. Other factors concerning the finances of these three funds can be found in the discussion of the City's business-type activities.

**GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS**

The General Fund had no changes in total revenues between the original and final amended budget. Total overall expenditures and transfers out for the General Fund increased a total of \$30,972 between the original and final amended budget, in addition, there were transfers between departments. This use of fund balance was to provide budget for the payment of the outgoing City Manager's vacation and sick leave payouts.

In total, overall favorable budget variance for expenditures of the general fund was \$724,707. The primary reasons are the following:

- The construction phase of a road improvement project in the street department had not yet started by year-end that left the City with \$492,810 of unspent budget in capital expenditures.

The Infrastructure Fund had no changes in total expenditures between the original and final amended budget, other than transfers between departments. Additionally, for the year there was an overall favorable budget variance for expenditures of \$539,864. The reason for the favorable variance is that the City has not yet started the construction phase of its Lake Verona drainage improvements and the new generator for City Hall that was expected to begin and be completed during the current year.

The CRA Fund had no changes between the original budget and the final amended budget. Favorable budget variances of \$164,243 in expenditures were the result of the City's practice of appropriating all available fund balance each year and not providing for the retention of any reserves.

**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**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, 2018 amounts to \$36,316,679 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water production and distributions systems, wastewater collection and treatment plant, 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 of \$1,636,356 is a result of capital additions for the year exceeding current year depreciation.

**City of Avon Park's Changes in Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 396,621	\$ 396,621	\$ 2,299,975	\$ 2,299,975	\$ 2,696,596	\$ 2,696,596
Buildings and System	6,801,766	6,678,798	41,367,811	41,190,081	48,169,577	47,868,879
Machinery and Equipment	3,924,934	3,430,996	7,112,271	6,367,854	11,037,205	9,798,850
Infrastructure	8,276,053	8,143,117	-	-	8,276,053	8,143,117
Construction in Progress	44,149	99,183	2,433,319	190,345	2,477,468	289,528
Total Capital Assets	19,443,523	18,748,715	53,213,376	50,048,255	72,656,899	68,796,970
Less: Accumulated Depreciation	(9,515,498)	(8,871,106)	(26,824,722)	(25,245,541)	(36,340,220)	(34,116,647)
	<u>\$ 9,928,025</u>	<u>\$ 9,877,609</u>	<u>\$ 26,388,654</u>	<u>\$ 24,802,714</u>	<u>\$ 36,316,679</u>	<u>\$ 34,680,323</u>

Additional information on the City's capital assets can be found on Note 4 on pages 49-50 of this report.

**Long-term debt.** At September 30, 2018 and September 30, 2017, the City had no formal long-term debt outstanding.

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

Economic growth in the local economy can be affected by many factors that are both outside and within the control of local government. Some of the indicators of the health of a local economy are changes in home prices, population, businesses, and new construction. These items can affect unemployment rates, revenues such as property taxes, sales taxes, and charges for services, which are indicators of an increasing or decreasing local economic activity.

The population of the City showed an increase over the prior year and is approaching the status of the largest city in the County. The unemployment rate is slightly higher than the State of Florida average but is continuing to decrease. The City's taxable value on existing properties decreased slightly while the net new taxable value increased by \$138,783.

**CITY OF AVON PARK, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

The City continues efforts to stimulate local growth, and attract businesses, by maintaining the lowest municipal taxable millage within Highlands County at a rate of 0.30 per \$1,000 of valuation for fiscal year 2017 - 2018 and 2018 - 2019. The Council has maintained the current fire assessment at \$80 for a single-family home down from a high of \$140. All this while the cost of providing fire services continues to rise. Other actions by the City Council to stimulate local growth and attract businesses were to extend by resolution a policy that allows new businesses that utilize vacant and existing buildings to receive an impact fee credit up to \$20,000, and adopting by ordinance a policy for financing of new utility system connections to facilitate for new customers desiring utility services.

The City expanded its water utility system with water main extensions and the addition of new meters during fiscal year 2018. The City has initiated the planning process for expansion of the capacity of the sewer treatment plant to accommodate anticipated future commercial, industrial, and residential growth.

For the 2018 / 2019 budget cycle, the fees for services remained the same. Charges for services and utility tax budgeted revenues remained the same, while franchise fees were budgeted 3% less than in the prior year.

**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 City Manager, 110 E. Main Street, Avon Park, Florida 33825.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 7,918,777	\$ 9,816,548	\$ 17,735,325
Receivables, Net	130,652	859,430	990,082
Internal Balances	335,315	(335,315)	-
Due from Other Governments	492,931	296,719	789,650
Prepaid Items	21,072	-	21,072
Inventory	-	124,974	124,974
Real Estate for Sale	356,684	-	356,684
Net Pension Asset	396,029	-	396,029
Capital Assets:			
Land	396,621	2,299,975	2,696,596
Buildings and System	6,801,766	41,367,811	48,169,577
Equipment	3,924,934	7,112,271	11,037,205
Infrastructure	8,276,053	-	8,276,053
Construction in Progress	44,149	2,433,319	2,477,468
Accumulated Depreciation	(9,515,498)	(26,824,722)	(36,340,220)
Total Assets	<u>19,579,485</u>	<u>37,151,010</u>	<u>56,730,495</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	832,737	544,569	1,377,306
Deferred Outflows Related to OPEB	17,167	13,488	30,655
Total Deferred Outflows of Resources	<u>849,904</u>	<u>558,057</u>	<u>1,407,961</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	279,587	564,409	843,996
Deposits	-	1,048,669	1,048,669
Unearned Revenue	11,505	344,157	355,662
Noncurrent Liabilities:			
Net Pension Liability	1,431,758	855,226	2,286,984
Total OPEB Liability	274,354	198,670	473,024
Due within One Year	156,100	56,636	212,736
Due in More than One Year	27,591	-	27,591
Total Liabilities	<u>2,180,895</u>	<u>3,067,767</u>	<u>5,248,662</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	279,000	86,832	365,832
Deferred Inflows Related to OPEB	12,805	9,274	22,079
Total Deferred Inflows of Resources	<u>291,805</u>	<u>96,106</u>	<u>387,911</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,928,025	26,206,960	36,134,985
Restricted for:			
Infrastructure	3,322,868	-	3,322,868
Other	14,601	-	14,601
Unrestricted	4,691,195	8,338,234	13,029,429
Total Net Position	<u>\$ 17,956,689</u>	<u>\$ 34,545,194</u>	<u>\$ 52,501,883</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 519,136	\$ 43,028	\$ -	\$ -	\$ (476,108)	\$ -	\$ (476,108)
Public Safety	3,175,626	427,546	2,340	-	(2,745,740)	-	(2,745,740)
Transportation	770,383	103,581	-	127,706	(539,096)	-	(539,096)
Culture and Recreation	519,503	28,536	110,000	-	(380,967)	-	(380,967)
Economic Environment	183,104	200	600	-	(182,304)	-	(182,304)
<b>Total Governmental Activities</b>	<b>5,167,752</b>	<b>602,891</b>	<b>112,940</b>	<b>127,706</b>	<b>(4,324,215)</b>	<b>-</b>	<b>(4,324,215)</b>
<b>Business-Type Activities:</b>							
Water and Sewer	4,051,030	5,398,845	93,042	171,117	-	1,611,974	1,611,974
Airport	685,747	324,990	-	1,635,504	-	1,274,747	1,274,747
Solid Waste	1,524,253	1,439,912	-	-	-	(84,341)	(84,341)
<b>Total Business-Type Activities</b>	<b>6,261,030</b>	<b>7,163,747</b>	<b>93,042</b>	<b>1,806,621</b>	<b>-</b>	<b>2,802,380</b>	<b>2,802,380</b>
<b>Total Primary Government</b>	<b>\$ 11,428,782</b>	<b>\$ 7,766,638</b>	<b>\$ 205,982</b>	<b>\$ 1,934,327</b>	<b>(4,324,215)</b>	<b>2,802,380</b>	<b>(1,521,835)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property					248,014	-	248,014
Fuel					423,927	-	423,927
Infrastructure Surtax					1,155,380	-	1,155,380
Utility and Communication Services					1,050,545	-	1,050,545
Other					136,690	-	136,690
Franchise Fees					611,015	-	611,015
Unrestricted Intergovernmental Revenue					978,824	-	978,824
Investment Earnings					20,328	28,052	48,380
Gain on Insurance Recoveries					299,361	692,595	991,956
Miscellaneous					58,679	-	58,679
<b>Transfers</b>					<b>591,826</b>	<b>(591,826)</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>5,574,589</b>	<b>128,821</b>	<b>5,703,410</b>
Change in Net Position					1,250,374	2,931,201	4,181,575
Net Position - Beginning of Year, As Previously Reported					16,833,161	31,721,422	48,554,583
Prior Period Adjustment					(126,846)	(107,429)	(234,275)
Net Position - Beginning of Year, As Restated					<u>16,706,315</u>	<u>31,613,993</u>	<u>48,320,308</u>
Net Position - End of Year					<u>\$ 17,956,689</u>	<u>\$ 34,545,194</u>	<u>\$ 52,501,883</u>

See accompanying Notes to Financial Statements.



**CITY OF AVON PARK, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

<b>ASSETS</b>	<u>General</u>	<u>Infrastructure</u>	<u>CRA</u>	<u>Total Governmental Funds</u>
Equity in Pooled Cash and Cash Equivalents	\$ 4,302,656	\$ 3,188,759	\$ 427,362	\$ 7,918,777
Receivables, Net	130,652	-	-	130,652
Due from Other Governments	307,206	185,725	-	492,931
Prepaid Items	34,664	-	-	34,664
Real Estate for Sale	-	-	356,684	356,684
Advances to Other Funds	1,140,133	-	-	1,140,133
 Total Assets	 <u>\$ 5,915,311</u>	 <u>\$ 3,374,484</u>	 <u>\$ 784,046</u>	 <u>\$ 10,073,841</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 227,603	\$ 51,616	\$ 368	\$ 279,587
Unearned Revenue	11,505	-	-	11,505
Advance from Other Fund	-	-	804,818	804,818
Total Liabilities	<u>239,108</u>	<u>51,616</u>	<u>805,186</u>	<u>1,095,910</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
 <b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Items	34,664	-	-	34,664
Advances to Other Fund	1,140,133	-	-	1,140,133
Restricted for:				
Law Enforcement	8,119	-	-	8,119
Bouis Fountain	6,482	-	-	6,482
Infrastructure	-	3,322,868	-	3,322,868
Committed for Compensated Absences	183,691	-	-	183,691
Unassigned	4,301,114	-	(21,140)	4,279,974
Total Fund Balances	<u>5,674,203</u>	<u>3,322,868</u>	<u>(21,140)</u>	<u>8,975,931</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 5,915,311</u>	 <u>\$ 3,374,484</u>	 <u>\$ 784,046</u>	 <u>\$ 10,073,841</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

Fund Balances - Total Government Funds		\$ 8,975,931
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:		
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds.		2,000
Net pension asset is not available to pay current period expenditures and therefore are not reported as assets in the governmental funds.		396,029
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources - Pension Related,		
less \$13,592 of prepaid items reclassified	\$ 819,145	
Deferred Inflows of Resources - Pension Related	<u>(279,000)</u>	540,145
Deferred outflows and inflows of resources related to OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources - OPEB Related	\$ 17,167	
Deferred Inflows of Resources - OPEB Related	<u>(12,805)</u>	4,362
Cost of Capital Assets	19,443,523	
Accumulated Depreciation	<u>(9,515,498)</u>	9,928,025
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.		
OPEB Liability	(274,354)	
Compensated Absences	(183,691)	
Net Pension Liability	<u>(1,431,758)</u>	<u>(1,889,803)</u>
Net Position of Governmental Activities		<u><u>\$ 17,956,689</u></u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2018**

	General	Infrastructure	CRA	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,691,330	\$ 1,155,380	\$ 163,556	\$ 3,010,266
Charges for Services	5,404	-	-	5,404
Permits, Fees and Special Assessment	1,015,649	-	-	1,015,649
Intergovernmental	1,320,451	-	-	1,320,451
Fines and Forfeitures	25,043	-	-	25,043
Investment Earnings	8,307	12,021	-	20,328
Miscellaneous	126,998	-	800	127,798
Total Revenues	<u>4,193,182</u>	<u>1,167,401</u>	<u>164,356</u>	<u>5,524,939</u>
<b>EXPENDITURES</b>				
Current				
General Government	544,752	-	-	544,752
Public Safety	3,096,183	-	-	3,096,183
Transportation	373,067	-	-	373,067
Culture and Recreation	345,457	-	-	345,457
Economic Environment	-	-	45,077	45,077
Capital Outlay	22,767	786,977	231,490	1,041,234
Total Expenditures	<u>4,382,226</u>	<u>786,977</u>	<u>276,567</u>	<u>5,445,770</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>(189,044)</u>	<u>380,424</u>	<u>(112,211)</u>	<u>79,169</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Proceeds	327,685	-	-	327,685
Transfers in	600,184	-	5,739	605,923
Transfers out	(5,739)	-	(8,358)	(14,097)
Total Other Financing Sources (Uses)	<u>922,130</u>	<u>-</u>	<u>(2,619)</u>	<u>919,511</u>
<b>NET CHANGE IN FUND BALANCES</b>	733,086	380,424	(114,830)	998,680
Fund Balances - Beginning of Year	<u>4,941,117</u>	<u>2,942,444</u>	<u>93,690</u>	<u>7,977,251</u>
<b>Fund Balances - End of Year</b>	<u>\$ 5,674,203</u>	<u>\$ 3,322,868</u>	<u>\$ (21,140)</u>	<u>\$ 8,975,931</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2018**

Net Change in fund Balances - Total Government Funds \$ 998,680

Amounts Reported for Governmental Activities in the Statement of Net Position are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 2,000

Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension asset or liability is measured for the police and fire pension plans and for the FRS and HIS plans, a year and three months, respectively, before the City's report date. Pension expense, which is the change in net pension liability adjusted for changes in deferred outflows and inflows related to pension, is reported in the statement of activities.

Adjustments to Pension Expense 137,492

Governmental funds report capital outlays as expenditures. However in the statement of activities, some of these expenditures are capitalized and depreciated over their estimated useful lives

Expenditures for Capital Assets that were Capitalized	\$ 779,441	
Depreciation Expense	(700,701)	
Less: Net Book Value of Disposed Assets	<u>(28,324)</u>	
		50,416

Some expense reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds such as:

OPEB Liability	(11,206)	
Compensated Absences	<u>72,992</u>	
		<u>61,786</u>

Changes in Net Position of Governmental Activities \$ 1,250,374

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 1,581,442	\$ 1,581,442	\$ 1,691,330	\$ 109,888
Charges for Services	7,745	7,745	5,404	(2,341)
Permits, Fees, and Special Assessments	998,800	998,800	1,015,649	16,849
Intergovernmental	1,678,779	1,678,779	1,320,451	(358,328)
Fines and Forfeitures	27,200	27,200	25,043	(2,157)
Investment Earnings	-	-	8,307	8,307
Miscellaneous	106,700	106,700	126,998	20,298
Total Revenues	4,400,666	4,400,666	4,193,182	(207,484)
<b>EXPENDITURES</b>				
General Government:				
City Council	29,556	71,556	70,582	974
City Manager	148,195	190,667	186,579	4,088
Finance	99,125	108,525	63,217	45,308
Legal Counsel	104,891	85,691	83,670	2,021
Other Governmental Services	199,694	198,994	140,730	58,264
Public Safety:				
Police	1,439,575	1,439,575	1,426,640	12,935
Fire	1,470,471	1,537,091	1,505,068	32,023
Code Enforcement	130,974	145,444	140,574	4,870
Planning and Zoning	53,500	25,500	25,000	500
Transportation:				
Street	988,577	891,787	379,370	512,417
Culture/Recreation:				
Parks	249,122	249,122	225,242	23,880
Recreation	134,625	115,125	88,636	26,489
Community Center	28,356	47,856	46,918	938
Total Expenditures	5,076,661	5,106,933	4,382,226	724,707
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(675,995)	(706,267)	(189,044)	517,223
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Proceeds	-	-	327,685	327,685
Transfers in	681,067	681,067	600,184	(80,883)
Transfers out	(5,072)	(5,772)	(5,739)	33
Total Other Financing Sources (Uses)	675,995	675,295	922,130	246,835
<b>NET CHANGE IN FUND BALANCE</b>	-	(30,972)	733,086	764,058
Fund Balance - Beginning of year	4,719,000	4,719,000	4,941,117	222,117
<b>FUND BALANCE - END OF YEAR</b>	\$ 4,719,000	\$ 4,688,028	\$ 5,674,203	\$ 986,175

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
INFRASTRUCTURE FUND  
YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 950,000	\$ 950,000	\$ 1,155,380	\$ 205,380
Intergovernmental	376,841	376,841	-	(376,841)
Investment Earnings	-	-	12,021	12,021
Total Revenues	1,326,841	1,326,841	1,167,401	(159,440)
<b>EXPENDITURES</b>				
General Government:				
Other Governmental Services	371,453	230,000	30,294	199,706
Public Safety:				
Police	30,000	30,000	30,000	-
Fire	103,000	588,000	621,850	(33,850)
Transportation:				
Street	622,388	473,855	100,294	373,561
Culture/Recreation:				
Parks	200,000	4,986	4,539	447
Total Expenditures	1,326,841	1,326,841	786,977	539,864
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	380,424	380,424
Fund Balance - Beginning of year	2,898,000	2,898,000	2,942,444	44,444
<b>FUND BALANCE - END OF YEAR</b>	\$ 2,898,000	\$ 2,898,000	\$ 3,322,868	\$ 424,868

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
CRA FUND  
YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 145,149	\$ 145,149	\$ 163,556	\$ 18,407
Miscellaneous	-	-	800	800
Total Revenues	<u>145,149</u>	<u>145,149</u>	<u>164,356</u>	<u>19,207</u>
<b>EXPENDITURES</b>				
Economic Environment				
Main Street	367,938	367,938	262,182	105,756
South Side	50,405	50,405	10,509	39,896
Airport	22,467	22,467	3,876	18,591
Total Expenditures	<u>440,810</u>	<u>440,810</u>	<u>276,567</u>	<u>164,243</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(295,661)	(295,661)	(112,211)	183,450
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,072	5,072	5,739	667
Transfers out	(100,000)	(100,000)	(8,358)	91,642
Total Other Financing Sources (Uses)	<u>(94,928)</u>	<u>(94,928)</u>	<u>(2,619)</u>	<u>92,309</u>
<b>NET CHANGE IN FUND BALANCE</b>	(390,589)	(390,589)	(114,830)	275,759
Fund Balance - Beginning of year	<u>390,589</u>	<u>390,589</u>	<u>93,690</u>	<u>(296,899)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,140)</u>	<u>\$ (21,140)</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018**

	Business-Type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
<b>ASSETS</b>				
Current Assets				
Equity in Pooled Cash and Cash				
Equivalents	\$ 8,075,948	\$ 561,642	\$ 1,178,958	\$ 9,816,548
Receivables, Net	765,313	9,925	84,192	859,430
Due from Other Governments	-	296,719	-	296,719
Inventories	76,950	48,024	-	124,974
Total Current Assets	<u>8,918,211</u>	<u>916,310</u>	<u>1,263,150</u>	<u>11,097,671</u>
Noncurrent Assets				
Advance to Other Funds	-	-	426,101	426,101
Capital Assets:				
Land	1,599,508	700,467	-	2,299,975
Building and System	29,042,370	12,323,586	1,855	41,367,811
Equipment	4,957,653	125,024	2,029,594	7,112,271
Construction in Progress	605,396	1,827,923	-	2,433,319
Accumulated Depreciation	<u>(19,915,881)</u>	<u>(5,912,491)</u>	<u>(996,350)</u>	<u>(26,824,722)</u>
Capital Assets, Net of Accumulated Depreciation	<u>16,289,046</u>	<u>9,064,509</u>	<u>1,035,099</u>	<u>26,388,654</u>
Total Noncurrent Assets	<u>16,289,046</u>	<u>9,064,509</u>	<u>1,461,200</u>	<u>26,814,755</u>
Total Assets	<u>25,207,257</u>	<u>9,980,819</u>	<u>2,724,350</u>	<u>37,912,426</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows Related to Pensions	354,045	-	190,524	544,569
Deferred Outflows Related to OPEB	9,809	-	3,679	13,488
Total Deferred Outflows of Resources	<u>363,854</u>	<u>-</u>	<u>194,203</u>	<u>558,057</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and Accrued Liabilities	324,253	203,513	36,643	564,409
Compensated Absences	38,327	-	18,309	56,636
Deposits	1,013,241	35,428	-	1,048,669
Unearned Revenue	5,002	45,000	-	50,002
Total Current Liabilities	<u>1,380,823</u>	<u>283,941</u>	<u>54,952</u>	<u>1,719,716</u>
Noncurrent Liabilities				
Advances from Other Funds	-	761,416	-	761,416
Total OPEB Liability	122,986	-	75,684	198,670
Net Pension Liability	556,016	-	299,210	855,226
Unearned Revenue	-	294,155	-	294,155
Total Noncurrent Liabilities	<u>679,002</u>	<u>1,055,571</u>	<u>374,894</u>	<u>2,109,467</u>
Total Liabilities	<u>2,059,825</u>	<u>1,339,512</u>	<u>429,846</u>	<u>3,829,183</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	56,452	-	30,380	86,832
Deferred Inflows Related to OPEB	5,741	-	3,533	9,274
Total Deferred Inflows of Resources	<u>62,193</u>	<u>-</u>	<u>33,913</u>	<u>96,106</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	16,258,192	8,913,669	1,035,099	26,206,960
Unrestricted	7,190,901	(272,362)	1,419,695	8,338,234
Total Net Position	<u>\$ 23,449,093</u>	<u>\$ 8,641,307</u>	<u>\$ 2,454,794</u>	<u>\$ 34,545,194</u>

See accompanying Notes to Financial Statements.



**CITY OF AVON PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 5,378,156	\$ 301,558	\$ 1,439,523	\$ 7,119,237
Sales of Fuel	-	21,291	-	21,291
Miscellaneous	20,689	2,141	389	23,219
Total Operating Revenues	<u>5,398,845</u>	<u>324,990</u>	<u>1,439,912</u>	<u>7,163,747</u>
<b>OPERATING EXPENSES</b>				
Personal Services	1,142,230	-	605,964	1,748,194
Materials, Supplies, Services and Other				
Operating Expenses	1,904,995	247,853	704,004	2,856,852
Depreciation	1,003,805	437,894	214,285	1,655,984
Total Operating Expenses	<u>4,051,030</u>	<u>685,747</u>	<u>1,524,253</u>	<u>6,261,030</u>
<b>OPERATING INCOME (LOSS)</b>	1,347,815	(360,757)	(84,341)	902,717
<b>NONOPERATING REVENUES</b>				
Investment Earnings	19,885	-	8,167	28,052
Noncapital grants	93,042	-	-	93,042
Gain on Insurance Recoveries	-	625,611	66,984	692,595
Total Nonoperating Revenues	<u>112,927</u>	<u>625,611</u>	<u>75,151</u>	<u>813,689</u>
Income (Loss) before Transfers and Capital Contributions	1,460,742	264,854	(9,190)	1,716,406
Capital Grants	-	1,635,504	-	1,635,504
Capital Contributions - Impact Fees and Capital Contributions	171,117	-	-	171,117
Transfers In	-	-	2,204	2,204
Transfers Out	(590,000)	(4,030)	-	(594,030)
Total Capital Contributions and Transfers	<u>(418,883)</u>	<u>1,631,474</u>	<u>2,204</u>	<u>1,214,795</u>
Changes In Net Position	1,041,859	1,896,328	(6,986)	2,931,201
Total Net Position - Beginning of Year, as Previously Reported	22,466,564	6,744,979	2,509,879	31,721,422
Prior Period Adjustment	(59,330)	-	(48,099)	(107,429)
Total Net Position - Beginning of Year, as Restated	<u>22,407,234</u>	<u>6,744,979</u>	<u>2,461,780</u>	<u>31,613,993</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u><u>\$ 23,449,093</u></u>	<u><u>\$ 8,641,307</u></u>	<u><u>\$ 2,454,794</u></u>	<u><u>\$ 34,545,194</u></u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2018**

	Business-Type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 5,411,903	\$ 277,153	\$ 1,429,806	\$ 7,118,862
Cash Paid to Suppliers	(1,747,162)	(261,323)	(708,087)	(2,716,572)
Cash Paid to Employees	(1,051,140)	-	(555,022)	(1,606,162)
Net Cash Provided by Operating Activities	2,613,601	15,830	166,697	2,796,128
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from (to) Other Funds	(590,000)	(4,030)	2,204	(591,826)
Advance from (to) Other Funds	(762)	(44,602)	13,522	(31,842)
Proceeds from Noncapital Grant	93,042	-	-	93,042
Net Cash Provided (Used) by Noncapital Financing Activities	(497,720)	(48,632)	15,726	(530,626)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of Capital Assets	(1,146,466)	(1,588,240)	(479,129)	(3,213,835)
Proceeds from Capital Grants	-	1,348,281	-	1,348,281
Proceeds from Sale of Asset	-	-	220,589	220,589
Proceeds from Insurance Claim	-	625,611	-	625,611
Capital Contributions	143,733	-	-	143,733
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,002,733)	385,652	(258,540)	(875,621)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts of Interest	19,885	-	8,167	28,052
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,133,033	352,850	(67,950)	1,417,933
Equity in Pooled Cash and Cash Equivalents - Beginning of Year	6,942,915	208,792	1,246,908	8,398,615
<b>EQUITY IN POOLED CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 8,075,948</b>	<b>\$ 561,642</b>	<b>\$ 1,178,958</b>	<b>\$ 9,816,548</b>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 1,347,815	\$ (360,757)	\$ (84,341)	\$ 902,717
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation	1,003,805	437,894	214,285	1,655,984
Changes in Certain Assets, Deferred Outflows Liabilities and Deferred Inflows				
Accounts Receivable	(39,115)	(3,833)	(10,106)	(53,054)
Inventories	1,027	(11,468)	-	(10,441)
Deferred Outflows of Resources	(32,802)	-	(16,555)	(49,357)
Accounts Payable and Accrued Liabilities	159,893	(2,002)	(4,180)	153,711
Compensated Absences	7,523	-	4,520	12,043
Deposits	52,173	996	-	53,169
Unearned Revenue	-	(45,000)	-	(45,000)
Other Post-employment Benefits	6,979	-	4,295	11,274
Net Pension Liability	74,571	-	42,831	117,402
Deferred Inflows of Resources	31,732	-	15,948	47,680
Net cash Provided by Operating Activities	<u>\$ 2,613,601</u>	<u>\$ 15,830</u>	<u>\$ 166,697</u>	<u>\$ 2,796,128</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Assets Acquired Through Retainage and Accounts Payable	<u>\$ 30,854</u>	<u>\$ 150,840</u>	<u>\$ -</u>	<u>\$ 181,694</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2018**

	Pension Trust Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 166,348
Receivables:	
Contribution Receivable:	
Plan Members	1,263
State of Florida	102,927
Accrued Income	23,185
Total Receivables	127,375
Prepaid Benefit Payments	60,656
Investments, at Fair Market Value:	
Multi-Sector Fixed Income Mutual Funds	320,799
Fixed Income Mutual Funds	2,129,268
U.S. Government and Agencies	661,642
Corporate and Foreign Bonds	685,745
Common Equity Securities	7,713,515
Real Estate Investment Fund	1,025,410
Total Investments	12,536,379
Total Assets	12,890,758
Net Position Restricted for Pensions	\$ 12,890,758

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2018**

	Pension Trust Funds
<b>ADDITIONS</b>	
Contributions:	
City	\$ 330,429
Plan Members	35,669
State of Florida	102,927
Total Contributions	469,025
Investment Income	1,078,372
Less Investment Expenses:	
Investment Management Fees	31,189
Custodial Fees	5,268
Performance Evaluation Fees	34,000
Total Investment Expenses	70,457
Net Investment Income	1,007,915
Total Additions	1,476,940
<b>DEDUCTIONS</b>	
Administrative Expenses	116,679
Payments to Retirees and Participants	952,347
Total Deductions	1,069,026
<b>NET INCREASE IN NET POSITION</b>	407,914
Net Position Restricted for Pension - Beginning of Year	12,482,844
<b>NET POSITION RESTRICTED FOR PENSION - END OF YEAR</b>	<b>\$ 12,890,758</b>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The City, a municipality under the law of the state of Florida, is located in Highlands County and is approximately 9.84 square miles in area. It was first incorporated in 1926 when Florida Law Chapter 12512 approved its original charter. In 1931, it was re-established as a municipal government when its present charter was approved by the voters at a general referendum and by the Laws of Florida 14622 and the Act of 1929. 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 11,000 residents. The City also operates water and wastewater, airport, and solid waste enterprises.

The accompanying financial statements include all those separately administered departments and funds for which the City has financial accountability. In evaluating the City as a reporting entity, management has addressed all potential component units (legally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial burden on the City. Organizations for which the City is not financially accountable are also included when doing so is necessary in order to prevent the City's financial statements from being misleading.

The component unit discussed in the following paragraph is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

The Community Redevelopment Agency of the City of Avon Park (the CRA) was created on April 8, 1996, pursuant to Florida Statute 163.356, by the passage of City Ordinance No. 7-96 and is responsible for the redevelopment of defined areas within the city limits. The City Council serves as the board of commissioners for the CRA. Although the CRA is legally separate, it meets the criteria for blending and is presented as a governmental fund of the primary government. Separate financial statements for the CRA are not issued. The City and County are obligated to pay the CRA any tax revenues relating to an increase in the assessed value of the property within the redevelopment areas. The City's payment to the CRA is reported as a transfer between funds.

*Related Organizations*

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.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Measurement Focus and Basis of Accounting

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

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

**Government-wide Financial Statements**

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

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

Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, and 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 expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are 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.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Measurement Focus and Basis of Accounting (Continued)

**Government-wide Financial Statements (Continued)**

The City's pension trust funds are presented in the fund financial statements by type (fiduciary). Since these assets are being held for the benefit of others (plan members) 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for within individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

**Governmental Funds**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, and interest earned associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.



**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Measurement Focus and Basis of Accounting (Continued)

**Governmental Funds (Continued)**

Under the current financial resources measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources 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 funds excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund 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 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 statement of net position. Proprietary funds operating statements present increases (revenues) and decreases (expenses) in total net position.

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. Nonoperating 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 nonoperating expenses.

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

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Measurement Focus and Basis of Accounting (Continued)

**Basis of Presentation**

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or 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. Major governmental funds are reported as separate columns in the fund financial statements.

The following is a brief description of the funds used by the City.

**Governmental Major Funds**

*General Fund* - This fund is the City's primary operating fund and 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, franchise fees, licenses and permits, intergovernmental revenue, and charges for services. Expenditures are incurred to provide general government, public safety, transportation, culture and recreation, and economic environment services.

*Infrastructure Fund* - This special revenue fund accounts for the one cent local option sales tax. The proceeds for this surtax are restricted to be expended on assets specified by statutes.

*CRA Fund* - This special revenue 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. The uses of those resources are restricted by Chapter 163, Florida Statutes.

**Proprietary Major Funds**

*Water and Sewer Fund* - This fund accounts for the facilities and administration relating to residential and commercial water and sewer services provided to customers inside and outside of city limits.

*Airport Fund* - This fund accounts for the operations and facilities at the City owned airport. This fund includes rental properties.

*Solid Waste Fund* - This fund accounts for the facilities and operations relating to the sanitary disposal of solid waste.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Measurement Focus and Basis of Accounting (Continued)

**Basis of Presentation (Continued)**

**Other Funds**

*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.

**Noncurrent Governmental Assets/Liabilities**

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

C. Budgets and Budgetary Accounting

Budgets are prepared for the General Fund, Infrastructure Fund, and CRA Fund on a basis consistent with the basis of accounting utilized for the respective funds, the modified accrual basis of accounting.

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

Budgets are not prepared for the Pension Trust Funds.

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

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

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

Explanation of differences between the Governmental Fund Balance Sheet and the Government Wide Statement of Net Position:

"Total" fund balance of the City's governmental funds of \$8,975,931 differs from "net position" of governmental activities, \$17,956,689 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Reconciliation of Government-Wide and Fund Financial Statements (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, an increase of \$998,680, differs from the "change in net position" for governmental activities, an increase of \$1,250,374, 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.

E. Reclassifications and Eliminations

Transfers in and transfers out between governmental activities and business-type activities in the amount of \$14,097 and \$2,204, respectively, were eliminated. In addition, advances to and advances from between governmental and business-type activities in the amount of \$804,818 and \$426,101, respectively, were also eliminated.

F. 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 any time without prior notice or penalty.

G. Investments

Investments are stated at fair value, except for short-term investments, which are stated at amortized cost. Fair value is based on the price that would be received to sell an investment in an orderly transaction between market participants.

H. Receivables

Receivables are shown at their net realizable value and reduced by an allowance for those uncollectible accounts, where determined by management. Uncollectible accounts are those 90 days old and greater.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. Real Estate Available for Sale

Real estate available for sale is recorded at the lower of cost or market value. Due to the nature of the acquisition, cost remains lower than the market value.

J. Inventories

Inventories are stated at cost, which is not in excess of market. Cost is determined on a weighted average method. The consumption method is used to account for inventories.

K. Prepaid items

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items. The consumption method is used to account for prepaid items.

L. Interfund transactions

Interfund transactions are accounted for in the following manner:

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

Transfers are reported in the "Other Financing Sources (Uses)" section in the statement of revenues, expenditures, and changes in fund balances and in the "Transfers" section in the statement of revenues, expenses, and changes in fund net position. As of fiscal year-end, any unpaid amounts related to these transactions are reported as due to/from other funds on the governmental funds balance sheet or proprietary funds statement of net position.

Long-term interfund loans are reported as "Advances to Other Funds" and as "Nonspendable Fund Balance" in the governmental funds to maintain accountability and to properly disclose the amount available for appropriations. Repayments are recorded as reductions in the receivable.

M. 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.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. Capital assets (Continued)

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 acquisition 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 are not capitalized.

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

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

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

N. Unearned Revenues

Unearned Revenue arises only when the City receives resources before it has a legal claim to them. Governmental Funds report unearned revenue in connection with resources that have been received, but not yet earned.

Revenues in the Proprietary Funds which have not been earned are reported in accordance with the accrual basis of accounting as unearned revenue. The unearned revenue will be recognized as revenues in the fiscal year in which they are earned.

O. 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 OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. Compensated absences (Continued)

- City manager and department heads are not limited and will be paid in full unless under a contractual agreement. Currently, the City manager and one department head is under contractual agreement. The maximum paid at separation of service in accordance with those contracts ranges from 500 to 700 hours.

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 10 years of services 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.
- Employees under contractual agreements shall be paid in accordance with their agreement. Current agreements stipulate one-half to 100% of accumulated unused sick leave up to a maximum of 300 to 600 hours.

Compensated absences are reported in governmental funds when payment is due. 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 position at September 30, 2018, representing the City's commitment to fund such costs from future operations. 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.

P. Deferred Outflows of Resources / Deferred Inflows of Resources

The City has multiple items that qualify for reporting as deferred outflows of resources, which is reported in the government-wide and proprietary funds statement of net position. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. These items include changes in actuarial assumptions, net difference between projected and actual earnings on pension and OPEB plan investments, changes in the proportion and differences between the city's contributions and proportionate share of contributions, and the City's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree health Insurance Subsidy Program. The other amounts will be recognized as increases in pension expense in future years.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

P. Deferred Outflows of Resources / Deferred Inflows of Resources (Continued)

Details on the composition of deferred outflows related to pensions and OPEB are reported in subsequent notes.

The City has multiple items that qualify for reporting as deferred inflows of resources in the government-wide and proprietary funds statement of net position, and one item that qualifies as a deferred inflow of resources in the governmental funds. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide and proprietary funds statement of net position these items include the difference between expected and actual economic experience, net difference between projected and actual earnings on pension and OPEB plan investments, and changes in the proportion and differences between the city's contributions and proportionate share of contributions, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program.

In the governmental funds, a deferred inflow of resources is reported for unavailable intergovernmental revenues that were not received within sixty days of year-end. The amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

Details on the composition of deferred inflows related to pensions are reported in a subsequent note.

Q. Pension Plans

The City has pension plans covering substantially all of its regularly employed employees. It is the policy of the City to fund pension costs for defined benefit plans on an actuarial basis, which includes amortization of prior service costs, and to fund defined contribution plans as pension costs accrue.

In the government-wide and proprietary funds statement of net position, liabilities are recognized for the City's share of each defined benefit pension plan's net pension asset or liability. For purposes of measuring the net pension asset, liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's sponsored single employer plans, the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deduction from the City's sponsored single employer plans, the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the City's sponsored single employer plans, the FRS and the HIS plans. For this purpose, defined benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.



**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

R. Other Postemployment Benefits Obligation (OPEB)

In the statement of net position, liabilities are recognized for the City's total OPEB liability as determined by an actuarial review of the healthcare coverage purchased by retirees to continue participation in the City's health plan. OPEB expense is recognized immediately for changes in the OPEB liability resulting from current year service cost, interest on the total OPEB liability, and changes of benefit terms or actuarial assumptions.

S. Long-term Obligations

In the government-wide financial statements, and proprietary funds 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 funds statement of net position.

T. Fund Balance Policy

The City's policy for fund balance of the general fund is to maintain minimum fund balance equal to 20% of the current year operating expenditures budgeted. If prior committed or assigned fund balance causes the unassigned fund balance to fall below 20%, the City shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

U. Property tax revenues

Ad valorem taxes for the current fiscal year (beginning October 1, 2017) were assessed on July 1, 2017 based on property values of January 1, 2017. The taxes were billed in the month of November 2017 by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes were due November 1, 2017 (levy date) and became delinquent April 1, 2018. Tax certificates were issued for delinquent taxes by June 1, 2018 (lien date). Generally, the City collects substantially all of its current year property taxes during the year in which they are due.

V. 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.

W. Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three categories:

Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

W. Government-wide and Proprietary Fund Net Position (Continued)

Restricted net position - consists of amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government, and contributors), through constitutional provisions, by enabling legislation, or contributor restrictions.

Unrestricted - all other net position is reported in this category.

X. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - amounts that are not in spendable form (such as inventory or prepaid items) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority, the City Council. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned - amounts that are available for any purpose. Positive amounts are reported only in the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Disbursements of fund balance will first be made from restricted amounts when both restricted and unrestricted fund balance is available. Additionally, the City will first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes where amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

A reconciliation of deposits and investments to amounts shown on the statement of net position and statement of fiduciary net position is as follows:

Deposits	\$ 15,977,459
Cash on Hand	2,000
Investments	14,458,593
Total	\$ 30,438,052
Statement of Net Position	
Equity in Pooled Cash and Cash Equivalents	\$ 17,735,325
Statement of Fiduciary Net Position	
Cash and Cash Equivalents	166,348
Investments	12,536,379
Total	\$ 30,438,052

*Fair Value.* The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets. The City had the following fair value measurements as of September 30, 2018:

	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Multi-Sector Fixed Income				
Mutual Funds	\$ 320,799	\$ 320,799	\$ -	\$ -
Fixed Income Mutual Funds	2,129,268	2,129,268	-	-
U.S. Government and Agencies	661,642	-	661,642	-
Corporate and Foreign Bonds	685,745	-	685,745	-
Common Equity Securities	7,713,515	7,713,515	-	-
Total Investments Measured at Fair Value	11,510,969	\$ 10,163,582	\$ 1,347,387	\$ -
Investments Measured at Net Asset Value				
Real Estate Investment Fund	1,025,410			
Investments Measured at Amortized Cost				
SBA Florida PRIME	1,922,214			
Total Investments	\$ 14,458,593			

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments of current operating funds to have maturities of no longer than 18 months. Investments of the City's fiduciary funds (pension plans) shall have a term appropriate to the need to fund future retiree benefits and in accordance with each plan's governing board's investment policy. As of September 30, 2018, the City had the following investments in debt securities and related maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Governmental and Business-Type Activities:					
SBA Florida PRIME	\$ 1,922,214	\$ 1,922,214	\$ -	\$ -	\$ -
Fiduciary:					
Multi-Sector Fixed Income Mutual Funds	320,799	-	157,717	163,082	-
Fixed Income Mutual Funds	2,129,268	320,577	595,576	1,213,115	-
U.S. Government and Agencies	661,642	-	143,000	115,966	402,676
Corporate and Foreign Bonds	685,745	19,924	219,894	445,927	-
Total Fair Value	<u>\$ 5,719,668</u>	<u>\$ 2,262,715</u>	<u>\$ 1,116,187</u>	<u>\$ 1,938,090</u>	<u>\$ 402,676</u>

*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, 2018 for each type of investment in debt securities.

<u>Investment Type</u>	<u>S&amp;P Rating</u>	<u>Market Value</u>
Governmental and Business-Type Activities:		
SBA Florida PRIME	AAAm	\$ 1,922,214
Fiduciary:		
Multi-Sector Fixed Income Mutual Funds	Not Rated	320,799
Fixed Income Mutual Funds	Not Rated	2,129,268
U.S. Government and Agencies	AAA to AA+	661,642
Corporate and Foreign Bonds	AAA to AA-	472,218
Corporate and Foreign Bonds	BBB+ to BBB-	213,527
Corporate Stock	Not Rated	7,713,515
Total		<u>\$ 13,433,183</u>

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

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

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

All deposit 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 25% 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 12 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 invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the state of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2018, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 33.5% of the Florida PRIME's portfolio at September 30, 2018.

Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost, as a cash equivalent.

The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2018 was 33 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2018 was 72 days. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's. On September 30, 2018, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

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

*Foreign Currency Risk.* The City is not exposed to any foreign currency risk.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3 RECEIVABLES**

Receivables as of September 30, 2018 for the City's individual major funds, 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	\$ 129,090	\$ -	\$ -	\$ -	\$ 129,090
Customer Charges	-	1,179,371	17,923	185,628	1,382,922
Miscellaneous	5,458	-	-	-	5,458
Gross Receivables	134,548	1,179,371	17,923	185,628	1,517,470
Allowance for Doubtful Accounts	(3,896)	(414,058)	(7,998)	(101,436)	(527,388)
Total	\$ 130,652	\$ 765,313	\$ 9,925	\$ 84,192	\$ 990,082

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental Activities:					
Capital Assets not being Depreciated					
Land	\$ 396,621	\$ -	\$ -	\$ -	\$ 396,621
Construction in Progress	99,183	113,443	(168,477)	-	44,149
Total Capital Assets not being Depreciated	495,804	113,443	(168,477)	-	440,770
Capital Assets being Depreciated:					
Buildings	6,678,798	97,942	35,541	(10,515)	6,801,766
Equipment	3,430,996	568,054	-	(74,116)	3,924,934
Infrastructure	8,143,117	-	132,936	-	8,276,053
Total Capital Assets being Depreciated	18,252,911	665,996	168,477	(84,631)	19,002,753
Less Accumulated Depreciation for:					
Buildings	(3,541,486)	(256,474)	-	6,310	(3,791,650)
Equipment	(3,172,444)	(139,359)	-	49,999	(3,261,804)
Infrastructure	(2,157,176)	(304,868)	-	-	(2,462,044)
Total Accumulated Depreciation	(8,871,106)	(700,701)	-	56,309	(9,515,498)
Total Capital Assets Being Depreciated, Net	9,381,805	(34,705)	168,477	(28,322)	9,487,255
Governmental Activities Capital Assets, Net	\$ 9,877,609	\$ 78,738	\$ -	\$ (28,322)	\$ 9,928,025

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Business-Type Activities:					
Capital Assets not being Depreciated					
Land	\$ 2,299,975	\$ -	\$ -	\$ -	\$ 2,299,975
Construction in Progress	190,345	2,242,974	-	-	2,433,319
Total Capital Assets not being Depreciated	2,490,320	2,242,974	-	-	4,733,294
Capital Assets being Depreciated					
Buildings and Systems	41,190,081	177,730	-	-	41,367,811
Equipment	6,367,854	974,825	-	(230,408)	7,112,271
Total Capital Assets being Depreciated	47,557,935	1,152,555	-	(230,408)	48,480,082
Less Accumulated Depreciation for:					
Buildings and Systems	(21,462,862)	(1,145,151)	-	-	(22,608,013)
Equipment	(3,782,679)	(510,833)	-	76,803	(4,216,709)
Total Accumulated Depreciation	(25,245,541)	(1,655,984)	-	76,803	(26,824,722)
Total Capital Assets being Depreciated, Net	22,312,394	(503,429)	-	(153,605)	21,655,360
Business-Type Activities Capital Assets, Net	<u>\$ 24,802,714</u>	<u>\$ 1,739,545</u>	<u>\$ -</u>	<u>\$ (153,605)</u>	<u>\$ 26,388,654</u>

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

Governmental Activities:	
General Government	\$ 70,514
Public Safety	164,725
Transportation	295,561
Culture and Recreation	169,901
Total Depreciation	<u>\$ 700,701</u>
Business-Type Activities:	
Water and Sewer	\$ 1,003,805
Airport	437,894
Solid Waste	214,285
Total Depreciation Expense	<u>\$ 1,655,984</u>



**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5 COMMITMENTS**

**Construction Commitments**

At September 30, 2018, the City had the following construction commitments:

Lake Verona Drainage Improvements	\$	38,051
City Hall Generator		55,057
Avon Park Baptist Church Force Main Extension		45,976
Runway 5/23		150,840
Total	\$	289,924

**NOTE 6 LONG-TERM LIABILITIES**

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Compensated Absences	\$ 256,683	\$ 143,768	\$ 216,760	\$ 183,691	\$ 156,100
Total Governmental Activities	\$ 256,683	\$ 143,768	\$ 216,760	\$ 183,691	\$ 156,100
Long-Term Liabilities	\$ 256,683	\$ 143,768	\$ 216,760	\$ 183,691	\$ 156,100
Business-Type Activities:					
Compensated Absences	\$ 44,593	\$ 72,521	\$ 60,478	\$ 56,636	\$ 56,636
Total Business-Type Activities	\$ 44,593	\$ 72,521	\$ 60,478	\$ 56,636	\$ 56,636
Long-Term Liabilities	\$ 44,593	\$ 72,521	\$ 60,478	\$ 56,636	\$ 56,636

**NOTE 7 OTHER POST EMPLOYMENT BENEFITS**

**Plan Description**

The City is obligated to make available to qualified retired employees the option to maintain coverage with the group health, life, and dental insurance plans. The City of Avon Park Plan (the Plan) is a single-employer defined benefit OPEB plan. The Plan is currently being funded on a pay as you go basis. No trust or agency fund has been established for the Plan. The Plan does not issue a publicly available report.

**Benefits Provided**

All employees of the City of Avon Park are eligible to receive postemployment health care benefits. The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. Coverage for retirees and their spouses and dependents is provided for the life of the retiree. Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums less any subsidy received from FRS.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Employees Covered by Benefit Terms**

At September 30, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	6
Active Plan Members	58
Total	<u>64</u>

**Total OPEB Liability**

The City's Total OPEB liability was measured as of September 30, 2017 and was determined by an actuarial valuation as of September 30, 2017. The following table shows the City's total OPEB liability for the year ended September 30, 2018.

	Total OPEB Liability
Balance - October 1, 2017	\$ 466,554
Changes for the Year:	
Service Cost	36,591
Interest	15,088
Changes in Assumptions	(24,837)
Benefit Payments	<u>(20,372)</u>
Net Changes	6,470
Balance - September 30, 2018	<u>\$ 473,024</u>

**Discount Rate Sensitivity**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB Plan Discount Rate	2.64 %	3.64 %	4.64 %
Total OPEB Liability	\$ 516,833	\$ 473,024	\$ 433,713

**Healthcare Trend Rate Sensitivity**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Description	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB Plan Healthcare Cost Rate	3.0 % to 7.5 %	4.0 % to 8.5 %	5.0 % to 9.5 %
Total OPEB Liability	\$ 423,579	\$ 473,024	\$ 531,917

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2018, the City recognized OPEB expense of \$48,921. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions Employer Contributions Subsequent to the Measurement Date	\$ -	\$ 22,079
Total	\$ 30,655	\$ -
	\$ 30,655	\$ 22,079

Amounts reported as deferred inflows of resources related to OPEB will be amortized over nine years and will be recognized in OPEB expenses as follows:

Year Ending September 30,	Amount
2019	\$ (2,760)
2020	(2,760)
2021	(2,760)
2022	(2,760)
2023	(2,760)
Thereafter	(8,279)

**Actuarial Assumptions**

The total OPEB liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%	
Salary Increases	6.0%	
Healthcare Cost	8.5% for 2018, 8.0% for 2019 and then gradually	
Trend Rates	decreasing to an ultimate trend rate of 4.0% in 2073.	

The actuarial cost method used was the Entry Age cost method. Mortality rates were based on the RP-2000 mortality tables. The discount rate used to measure the total OPEB liability was 3.64%, based on yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (or equivalent quality on another rating scale).

Since the most recent valuation, the following changes have been made:

The discount rate was changed from 3.06% as of the beginning of the measurement period to 3.64% as of September 30, 2017.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 8 RISK MANAGEMENT**

**Risk Pool**

Effective October 1, 2015, the City became a member of Preferred Governmental Insurance Trust (PGIT), a governmental insurance carrier. PGIT administers insurance activities relating to property, general liability, public official's and employment practices liability, automobile, crime, and worker's compensation. The City is liable for deductible on certain coverages. PGIT meets GASB Statement No. 10, as amended as GASB Statement No. 30, guidelines for governmental entity pools and provides audited financial statements annually. 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 PGIT.

**NOTE 9 INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at September 30, 2018 were as follows:

Advance to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Total</u>
	<u>CRA Fund</u>	<u>Airport Fund</u>	
General Fund	\$ 804,818	\$ 335,315	\$ 1,140,133
Solid Waste Fund	-	426,101	426,101
Total	<u>\$ 804,818</u>	<u>\$ 761,416</u>	<u>1,566,234</u>

The General Fund has three outstanding advances at year-end. One of the advances of \$804,818 is to the CRA Fund for the purpose of purchasing real estate on Main Street with the intention of improving the building for Main Street redevelopment purposes. The other two outstanding advances of \$78,430 and \$256,885 to the Airport Fund were used to pay off a note payable to a bank in order to reduce the City's overall borrowing costs and to provide funds for the environmental cleanup of two contaminated sites at the airport. Environmental cleanup was completed in a prior year. The advance from Solid Waste Fund to the Airport Fund of \$426,101 is a result of prior years' operating losses.

**NOTE 10 TRANSFERS**

Transfers during the year ended September 30, 2018 consisted of the following:

<u>Transfer Out:</u>	<u>Transfer In:</u>			
	<u>General Fund</u>	<u>CRA</u>	<u>Solid Waste</u>	<u>Total</u>
General Fund	\$ -	\$ 5,739	\$ -	\$ 5,739
CRA	8,358	-	-	8,358
Water and Sewer	590,000	-	-	590,000
Airport	1,826	-	2,204	4,030
Total	<u>\$ 600,184</u>	<u>\$ 5,739</u>	<u>\$ 2,204</u>	<u>\$ 608,127</u>

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 TRANSFERS (CONTINUED)**

Transfers are used 1) to move revenues from the fund that state law required to collect them to the fund that state law requires to expend them, or 2) to provide resources from the City's enterprise operations to its General fund as a return on the City's investment in the activity.

**NOTE 11 FUND BALANCE RESTRICTIONS**

Restrictions of fund balances for governmental funds at September 30, 2018 are summarized below:

**Law Enforcement**

The restriction for law enforcement was created to restrict the use of resources deposited into the Law Enforcement Trust Fund. State statutes require that the resources be restricted.

**Bouis Fountain**

The restriction for Bouis Fountain was created to restrict the use of resources contributed to the maintenance of this fountain located on Main Street. The restriction was mandated by donor agreement.

**Infrastructure**

The restriction for infrastructure was created to restrict the use of resources from the proceeds of the one cent local option sales tax. State statutes require that the resources be restricted.

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

Substantially all full-time employees of the City of Avon Park are covered by one or more of five pension plans: Police Officers' Retirement System, Firefighters' Retirement System, Florida Retirement System, Health Insurance Subsidy Program, or a defined contribution plan.

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

**General Information about the 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 in the City's fiduciary financial statements as a Pension Trust Fund.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**General Information about the PORS (Continued)**

The PORS is administered by a board of trustees comprised of two City residents appointed by the City Council, two police officers elected by majority of covered Members, and a fifth Member elected by the other four and appointed by City Council.

*Plan Membership* - As of October 1, 2016, the members of the PORS consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	15
Inactive Plan Members Entitled to but not yet Receiving Benefits	13
Active Plan Members	3
Total	31

*Benefits Provided* - The Plan provides retirement, termination, disability, and death benefits. All benefits are 100% vested after 10 years of credited service. If a member terminates with less than 10 years of credited service he or she will receive a refund of member contributions with interest at 3%. Normal retirement is the earlier of age 55 with 10 years of credited service, the attainment of age 60 regardless of years of service, or the attainment of 20 years (25 years for members hired after April 27, 2014) of service regardless of age. Members who have attained age 50 and have completed 10 years of service are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3% (2.0% for members hired after April 27, 2014) of the average earnings for the highest five years of the preceding 10 year period times the number of years of credited service.

The Plan provides for annual 1.46% cost of living adjustments for the life of all retirees, certain beneficiaries and terminated vested members. Cost of living adjustments will be made on the first October following the normal retirement date for retirees and actual retirement date for disabled retirees and in each October thereafter. Optional equivalent forms of this cost of living adjustment are available.

*Contributions*—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% of employee compensation. The amounts contributed by the State to the PORS represent the City's portion of a 0.85% tax on all premiums collected on casualty insurance policies on property within the City. The City, for funding purposes, is limited by state statutes on the amount of the state contribution that can be credited toward the annual required contribution. Administrative costs for each plan are financed through investment earnings. The City's required contribution, including the State's portion, for the year ended September 30, 2018 was \$34,253. Actual contributions for the year equaled \$63,092 or 184% of the required contributions.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Net Pension Liability**

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined as of that date.

*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	6.00%
Discount Rate	8.00%
Investment Rate of Return	8.00%

Assumed rates of mortality were based on the RP-2000 Table.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset include in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45.00 %	7.50%
International Equity	15.00	8.50%
Domestic Fixed Income	27.50	2.50%
Global Fixed Income	5.00	3.50%
Real Estate	7.50	4.50%
	<u>100.00 %</u>	

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Net Pension Liability (Continued)**

*Discount Rate* - The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pensions plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability* - The components of the changes in net pension liabilities was as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances at September 30, 2016	\$ 6,054,808	\$ 6,150,416	\$ (95,608)
Changes for the Year:			
Service Cost	43,637	-	43,637
Interest	473,710	-	473,710
Change in Excess State Money	-	-	-
Share Plan Allocation	23,267	-	23,267
Differences between Expected and Actual Experience	(107,123)	-	(107,123)
Changes of Assumptions	-	-	-
Contributions - Employer	-	-	-
Contributions - State	-	58,391	(58,391)
Contributions - Employee	-	7,358	(7,358)
Net Investment Income	-	722,846	(722,846)
Benefit Payments, Including Refunds of Employee Contributions	(354,136)	(354,136)	-
Administrative Expense	-	(54,683)	54,683
Net Changes	<u>79,355</u>	<u>379,776</u>	<u>(300,421)</u>
Balances at September 30, 2017	<u>\$ 6,134,163</u>	<u>\$ 6,530,192</u>	<u>\$ (396,029)</u>

*Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate* - The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:



**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Net Pension Liability (Continued)**

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
City's Net Pension (Asset) Liability	\$ 349,454	\$ (396,029)	\$ (1,000,456)

*Fiduciary Net Position* - Detailed information about the pensions plan's fiduciary net position is publicly available in a separately issued financial report that may be obtained by writing to the City of Avon Park, City Manager, 110 E. Main Street, Avon Park, Florida 33825, calling 863-452-4400, or from the City's website: [http://www.avonpark.cc/finance\\_department.php](http://www.avonpark.cc/finance_department.php).

*Deferred Outflows and Inflows of Resources Related to PORS* - For the year ended September 30, 2018 the City recognized a pension expense of \$65,901. On September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 69,139	\$ -
City and State Contributions Subsequent to the Measurement Date	63,092	-
Total	\$ 132,231	\$ -

The deferred outflows of resources related to the PORS, totaling \$63,092 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources related to the PORS will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$63,437
2020	83,893
2021	(29,177)
2021	(49,014)

*Payables to PORS Pension Plan* - At September 30, 2018, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Firefighters' Retirement System (FFRS)**

**General Information about the FFRS**

Plan Description – All General Information about the FFRS 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. 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 in the City's fiduciary financial statements as a Pension Trust Fund.

The Plan is administered by a board of trustees comprised of two legal residents appointed by the City Council, two Members of the System elected by the other covered Members, and a fifth Member elected by the other four and appointed by City Council.

*Plan Membership* - As of October 1, 2016, the members of the FFRS consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	11
Inactive Plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	10
Total	23

*Benefits Provided* - The Plan provides retirement, termination, disability, and death benefits. All benefits are 100% vested after 10 years of credited service. If a member terminates with less than 10 years of credited service he or she will receive a refund of member contributions with no interest. Normal retirement is the earlier of age 55 with 10 years of credited service or age 52 with 25 years of credited service. Members who have attained age 50 and have completed 10 years of service are eligible for early retirement at reduced benefits. Benefits at normal retirement are computed at 3.16% (2.0% for members hired after October 31, 2013) of the average earnings for the highest five years of the preceding 10 year period times the number of years of credited service.

The Plan provides for all retirees, including disability retirees and beneficiaries, but excluding vested terminated Members, who complete at least fifteen years of credited service to receive five annual 3.0% increase cost-of-living adjustments in their benefits each October 1 beginning the later of age 58 and one year after retirement.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**General Information about the FFRS (Continued)**

*Contributions* - 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% of employee compensation. The amounts contributed by the State to the FFRS represent a 1.85% tax on all premiums collected on property insurance policies covering property within the City. The City, for funding purposes, is limited by state statutes on the amount of the state contribution that can be credited toward the annual required contribution. Administrative costs for each plan are financed through investment earnings. The City's required contribution, including the State's portion, for the year ended September 30, 2018 was \$367,525. Actual contributions for the year equaled \$370,264, or 100% of the required contributions.

**Net Pension Liability**

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined as of that date.

*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	6.00%
Discount Rate	7.75%
Investment Rate of Return	7.75%

Assumed rates of mortality were based on the RP2000 Generational table.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Net Pension Liability (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset include in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	50.00 %	7.50%
International Equity	15.00	8.50%
Domestic Fixed Income	20.00	2.50%
Global Fixed Income	5.00	3.50%
Real Estate	10.00	4.50%
	<u>100.00 %</u>	

*Discount Rate* - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pensions plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Net Pension Liability (Continued)**

*Changes in Net Pension Liability* - The components of the changes in the net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances at September 30, 2016	\$ 7,023,636	\$ 5,286,864	\$ 1,736,772
Changes for the Year:			
Service Cost	108,643	-	108,643
Interest	532,439	-	532,439
Change in Excess State Money	(81,652)	-	(81,652)
Share Plan Allocation	43,839	-	43,839
Differences between Expected and Actual Experience	(184,278)	-	(184,278)
Changes of Assumptions	-	-	-
Contributions - Employer	-	363,321	(363,321)
Contributions - State	-	49,927	(49,927)
Contributions - Employee	-	32,690	(32,690)
Net Investment Income	-	634,997	(634,997)
Benefit Payments, Including Refunds of Employee Contributions	(360,884)	(360,882)	(2)
Administrative Expense	-	(54,265)	54,265
Net Changes	<u>58,107</u>	<u>665,788</u>	<u>(607,681)</u>
Balances at September 30, 2017	<u>\$ 7,081,743</u>	<u>\$ 5,952,652</u>	<u>\$ 1,129,091</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.75%	7.75%	8.75%
City's Net Pension (Asset) Liability	\$ 1,977,073	\$ 1,129,091	\$ 418,037

*Fiduciary Net Position* - Detailed information about the FFRS's fiduciary net position is publicly available in a separately issued financial report that may be obtained by writing to the City of Avon Park, City Manager, 110 E. Main Street, Avon Park, Florida 33825, calling 863-452-4400, or from the City's website: [http://www.avonpark.cc/finance\\_department.php](http://www.avonpark.cc/finance_department.php).

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Net Pension Liability (Continued)**

*Deferred Outflows and Inflows of Resources Related to FFRS* - For the year ended September 30, 2018 the City recognized a pension expense of \$206,988. On September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ (239,830)
Changes of Assumptions	137,516	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(8,438)
City and State Contributions Subsequent to the Measurement Date	370,264	-
Total	<u>\$ 507,780</u>	<u>\$ (248,268)</u>

The deferred outflows of resources related to the FFRS, totaling \$370,264 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the FFRS will be recognized as an increase (decrease) pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ (5,656)
2020	16,270
2021	(64,986)
2022	(56,380)

*Payables to FFRS Pension Plan* - At September 30, 2018, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Florida Retirement System (FRS)**

**General Information about the FRS**

The FRS was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The City's pension expense for both plans totaled \$538,162 for the fiscal year ended September 30, 2018.

**FRS Pension Plan**

*Plan Description* - The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) – Members in senior management level positions.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**FRS Pension Plan (Continued)**

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62, or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to four years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided* - Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:



**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**FRS Pension Plan (Continued)**

<u>Class, Initial Enrollment, and Retirement Age/Years of Service:</u>	<u>% Value</u>
Regular Class Members Initially Enrolled before July 1, 2011	
Retirement Up to Age 62 or Up to 30 Years of Service	1.60
Retirement Up to Age 63 or Up to 31 Years of Service	1.63
Retirement Up to Age 64 or Up to 32 Years of Service	1.65
Retirement Up to Age 65 or Up to 33 Years of Service	1.68
Regular Class Members Initially Enrolled on or After July 1, 2011	
Retirement Up to Age 65 or Up to 33 Years of Service	1.60
Retirement Up to Age 66 or Up to 34 Years of Service	1.63
Retirement Up to Age 67 or Up to 35 Years of Service	1.65
Retirement Up to Age 68 or Up to 36 Years of Service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

*Contributions* - The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the City, effective July 1, 2017, were applied to employee salaries as follows: regular employees 7.92%, senior management 22.71%, and DROP participants 13.26%. The City's contributions to the FRS Plan were \$74,795 for the year ended September 30, 2018.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**FRS Pension Plan (Continued)**

*Pension Costs* - At September 30, 2018, the City reported a liability of \$754,829 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2018, the City's proportionate share was 0.002506030%, which was an increase of 0.000210041% from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$333,574. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 63,945	\$ (2,321)
Changes of Actuarial Assumptions	246,641	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(58,320)
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	154,045	(4,872)
City Contributions Subsequent to the Measurement Date	22,137	-
Total	<u>\$ 486,768</u>	<u>\$ (65,513)</u>

\$22,137 reported as deferred outflows of resources related to pensions resulting from City contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**FRS Pension Plan (Continued)**

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 137,460
2020	109,333
2021	45,910
2022	63,009
2023	36,696
Thereafter	6,710

*Actuarial Assumptions* - The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60% Per Year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	7.00%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption.

The target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**FRS Pension Plan (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0 %	2.9 %	2.9 %	1.8 %
Fixed Income	18.0	4.4 %	4.3 %	4.0 %
Global Equity	54.0	7.6 %	6.3 %	17.0 %
Real Estate (Property)	11.0	6.6 %	6.0 %	11.3 %
Private Equity	10.0	10.7 %	7.8 %	26.5 %
Strategic Investments	6.0	6.0 %	5.7 %	8.6 %
Totals	<u>100.0 %</u>			

Assumed Inflation - Mean 2.6%      1.9%

*Discount Rate* - The discount rate used to measure the total pension liability was 7.0% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

*Pension Liability Sensitivity* - The following presents the City's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
FRS Plan Discount Rate	6.00%	7.00%	8.00%
City's Proportionate Share of the FRS Plan Net Pension Liability	\$ 1,377,595	\$ 754,829	\$ 237,585

*Pension Plan Fiduciary Net Position* - Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Health Insurance Subsidy Program (HIS)**

**HIS Plan**

*Plan Description* - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

*Benefits Provided* - For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions* - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The City's contributions to the HIS Plan were \$21,771 for the year ended September 30, 2018.

*Pension Costs* - At September 30, 2018, the City reported a liability of \$403,604 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportion of the net pension liability was based on the City's contributions received by HIS during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all participating employers. At June 30, 2018, the City's proportion was 0.003808200%, which was an increase of 0.00060052423% from its proportion measured as of June 30, 2017.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**HIS Plan (Continued)**

For the year ended September 30, 2018, the City recognized pension expense of \$204,588 for its proportionate share of HIS's pension expense. In addition, the City reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 6,171	\$ (685)
Changes in Actuarial Assumptions	44,862	(42,615)
Net Difference Between Projected and Actual Earnings on HIS Program Investments	243	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	192,932	(8,751)
City Contributions Subsequent to the Measurement Date	6,319	-
Total	<u>\$ 250,527</u>	<u>\$ (52,051)</u>

\$6,319 reported as deferred outflows of resources related to pensions resulting from City contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 44,763
2020	44,742
2021	46,270
2022	37,543
2023	10,584
Thereafter	8,255

*Actuarial Assumptions* - The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% Per Year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.87%

**CITY OF AVON PARK, FLORIDA  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**HIS Plan (Continued)**

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

*Discount Rate* - The discount rate used to measure the total pension liability was 3.87% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

*Pension Liability Sensitivity* - The following presents the City's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
HIS Plan Discount Rate	2.87%	3.87%	4.87%
City's Proportionate Share of the HIS Plan Net Pension Liability	\$ 459,067	\$ 403,064	\$ 356,383

*Pension Plan Fiduciary Net Position* - Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

**Investment Plan**

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)**

**Investment Plan (Continued)**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the investment plan's fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$6,983 for the year ended September 30, 2018. Employee contributions to the Investment Plan totaled \$6,348 for the year ended September 30, 2018.



**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (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 on or after January 1, 1996 who are not covered by either the Police Officer's Retirement System, the Firefighters Retirement System and those employees who elected to not be covered by the Florida Retirement System effective April 1, 2015. This plan is administered by the Florida Municipal Pension Trust Fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who are at least 18 years of age and have six months of service are eligible to participate in the plan. The resolution adopting the plan requires that the City contribute an amount equal to 10.77% 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% of salary. The City's contribution for each employee (and interest allocated to the employee's account) is fully vested after 10 years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before 10 years of service are used to fund the City's current period contribution requirement.

The City's payroll for the year ended September 30, 2018 for eligible employees participating in the plan was \$299,060. The City's total payroll for all employees was \$2,454,737.

As of September 30, 2018, the City's contributions to the plan were \$32,061 on behalf of the six employees participating during the fiscal year. The total voluntary employee contributions to the plan amounted to \$520.

**CITY OF AVON PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 13 CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended September 30, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This change requires the restatement of the September 30, 2017 net position balance as follows:

	Statement of Net Position Primary Government		Statement of Net Position Proprietary Funds	
	Governmental Activities	Business-Type Activities	Water and Sewer Fund	Solid Waste Fund
Net Position, September 30, 2017, as Previously Reported	\$ 16,833,161	\$ 31,721,422	\$ 22,466,564	\$ 2,509,879
Cumulative Effect of Application of GASB 75	<u>(126,846)</u>	<u>(107,429)</u>	<u>(59,330)</u>	<u>(48,099)</u>
Net Position, September 30, 2017, as Restated	<u>\$ 16,706,315</u>	<u>\$ 31,613,993</u>	<u>\$ 22,407,234</u>	<u>\$ 2,461,780</u>

**NOTE 14 DEFICITS**

The CRA Fund has an unrestricted net position deficit of \$21,140 as of September 30, 2018. This deficit is primarily due to the CRA's operating expenses exceeding operating revenues.

The Airport Fund has an unrestricted net position deficit of \$272,362 as of September 30, 2018. This deficit is primarily due to the airport's operating expenses exceeding operating revenues.

**NOTE 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 10 years. All of the City's leases are classified as operating leases. For the year ended September 30, 2018 the City received rent revenue from operating leases of \$246,770.

The following is a schedule for the next five years of minimum future rent revenues from noncancelable operating leases as of September 30, 2018:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 108,189
2020	97,868
2021	83,021
2022	83,022
2023	83,023
2024-2028	5,000
2029-2033	5,000
2034-2038	5,000

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 15 LEASES (CONTINUED)**

At September 30, 2018 the value of buildings and hangars held for leasing was as follows:

Cost	\$ 3,714,947
Accumulated Depreciation	<u>(2,336,622)</u>
Net Book Value	<u>\$ 1,378,325</u>

The City has entered into a lease with a tenant on October 1, 2003 which expires on September 30, 2023, unless extended for another 10-year term. The City's lease provides the tenant the option to renew for two additional terms of 10 years. The City also agreed to allow tenant to offset against rent due by 100% of the general improvements and 65% of the tenant use specific improvements made to the premises during the first 10-year lease term, including costs of engineering and financing. Said improvements, engineering and financing shall be prorated over the initial 10-year term of the lease, but shall offset not more than \$45,000 of the rent per year. If tenant is unable to recoup its investments, during the initial term, this offset shall continue into successive option terms, if said options are exercised. Any rental reduction for tenant specific improvements will not begin until the second term. At September 30, 2018, \$188,615, \$150,540, and \$74,226 of general improvements, tenant specific improvements, and financing costs, respectively, were available for rental offsets in the future. At September 30, 2018, \$339,155 is reported in the Airport fund as unearned revenue in connection with the rental offsets available to use in the future by the tenant.

**NOTE 16 CONTINGENCIES**

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. The City intends to vigorously defend itself, and in the opinion of the City's management, legal counsel, and special legal counsel these matters are not anticipated to have a material financial impact on the City.

**NOTE 17 RELATED PARTY TRANSACTIONS**

During the year, the City had the following related party transactions:

The Avanti Company, a business owned by Councilman Heston's brother-in-law, that sells water meters to the City. The meters were procured in compliance with the City's purchasing policies and payments for the year amounted to \$268,019. The Avanti Corporation is the sole provider of the Amco Automated Meter Radio System (AMR Technology). This system has been the standard utilized by the City's water system for well over a decade.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S  
TOTAL OPEB LIABILITY AND RELATED RATIOS  
YEAR ENDED SEPTEMBER 30, 2018**

	2018
Total OPEB Liability	
Service Cost	\$ 36,591
Interest	15,088
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	(24,837)
Benefit Payments	(20,372)
Net Change in Total OPEB Liability	6,470
Total OPEB Liability - Beginning of Year	466,554
Total OPEB Liability - End of Year	\$ 473,024

Covered Employee Payroll	\$ 2,259,549
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Total OPEB Liability as a Percentage of the Covered Employee Payroll	20.93 %
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Notes to Schedule:

The OPEB plan is not administered through a trust, and there are no assets accumulated in trust for payment of benefits.

Covered Employee Payroll was projected one year forward from the valuation date for the reporting period ending September 30, 2018

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

FY 2018	3.64%
FY 2017	3.06%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
POLICE OFFICERS' RETIREMENT SYSTEM  
YEAR ENDED SEPTEMBER 30, 2018**

Measurement Date	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability				
Service Cost	\$ 43,637	\$ 43,485	\$ 34,314	\$ 37,818
Interest	473,710	457,532	464,239	448,862
Change in Excess State Money	-	44,955	-	-
Share Plan Allocation	23,267	(44,955)	-	-
Difference Between Expected and Actual Experience	(107,123)	(156,072)	(302,143)	-
Change of Assumptions	-	138,973	-	-
Benefit Payments, Including Refunds of Employee Contributions	(354,136)	(299,468)	(279,363)	(302,555)
Net Change in Total Pensions Liability	79,355	184,450	(82,953)	184,125
Total Pension Liability - Beginning of Year	6,054,808	5,870,358	5,953,311	5,769,186
<b>TOTAL PENSION LIABILITY - End of Year</b>	<b>\$ 6,134,163</b>	<b>\$ 6,054,808</b>	<b>\$ 5,870,358</b>	<b>\$ 5,953,311</b>
Plan Fiduciary Net Position				
Contributions - Employer	\$ -	\$ 25,000	\$ 88,490	\$ 130,000
Contributions - State of Florida	58,391	55,147	54,943	51,390
Contributions - Employee	7,358	9,075	7,634	8,173
Net Investment Income	722,846	373,165	(71,456)	565,325
Benefit Payments and Refunds	(354,136)	(299,468)	(279,363)	(302,555)
Administrative Expenses	(54,683)	(35,897)	(39,185)	(71,749)
Net Change in Plan Fiduciary Net Position	379,776	127,022	(238,937)	380,584
Plan Fiduciary Net Position - Beginning of Year	6,150,416	6,023,394	6,262,331	5,881,747
<b>PLAN FIDUCIARY NET POSITION - End of Year</b>	<b>\$ 6,530,192</b>	<b>\$ 6,150,416</b>	<b>\$ 6,023,394</b>	<b>\$ 6,262,331</b>
Net Pension (Asset) Liability	<b>\$ (396,029)</b>	<b>\$ (95,608)</b>	<b>\$ (153,036)</b>	<b>\$ (309,020)</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.46%	101.58%	102.61%	105.19%
Covered Payroll	\$ 148,690	\$ 181,491	\$ 152,797	\$ 157,429
Net Pension Liability as a Percentage of the Covered Employee Payroll	-266.35%	-52.68%	-100.16%	-196.29%

*Additional years will be added to this schedule annually until 10 years' data is presented.*

**Notes to Schedule**

**Change of benefit terms:**

For members hired after April 27, 2014, a benefit accrual rate equal to 2.0% of the Average Final Compensation for each year of Credited Service.

For members hired after April 27, 2014, a Normal Retirement Date which is at the earlier of a) Age 55 with 10 years of Credited Service, b) Age 60, regardless of year of Credited Service, and c) the completion of 25 years of Credited Service, regardless of age.

**Changes of assumptions:**

For measurement date 9/30/18, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 8.00% to 7.5% per year compounded annually, net of investment related expenses.

For measurement date 9/30/16, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

For fiscal year 2015, the covered employee payroll figures were based on pensionable salary

**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FIREFIGHTERS' RETIREMENT SYSTEM  
YEAR ENDED SEPTEMBER 30, 2018**

Measurement Date	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Total Pension Liability				
Service Cost	\$ 108,643	\$ 143,226	\$ 153,105	\$ 146,250
Interest	532,439	497,788	475,799	445,552
Change in Excess State Money	(81,652)	5,991	4,481	9,205
Share Plan Allocation	43,839	-	-	-
Differences between expected and actual experience	(184,278)	(60,536)	(104,097)	-
Change of Assumptions	-	206,276	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(360,884)</u>	<u>(249,242)</u>	<u>(213,139)</u>	<u>(203,603)</u>
Net Change in Total Pensions Liability	58,107	543,503	316,149	397,404
Total Pension Liability - Beginning of Year	<u>7,023,636</u>	<u>6,480,133</u>	<u>6,163,984</u>	<u>5,766,580</u>
<b>TOTAL PENSION LIABILITY - End of Year</b>	<b><u>\$ 7,081,743</u></b>	<b><u>\$ 7,023,636</u></b>	<b><u>\$ 6,480,133</u></b>	<b><u>\$ 6,163,984</u></b>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 363,321	\$ 330,229	\$ 412,081	\$ 342,083
Contributions - State of Florida	49,927	43,087	41,577	46,301
Contributions - Employee	32,690	29,590	33,093	33,750
Net Investment Income	634,997	327,419	(36,226)	439,120
Benefit Payments and Refunds	(360,882)	(249,242)	(213,139)	(203,603)
Administrative Expenses	<u>(54,265)</u>	<u>(57,291)</u>	<u>(66,097)</u>	<u>(53,989)</u>
Net Change in Plan Fiduciary Net Position	665,788	423,792	171,289	603,662
Plan Fiduciary Net Position - Beginning of Year	<u>5,286,864</u>	<u>4,863,072</u>	<u>4,691,783</u>	<u>4,088,121</u>
<b>PLAN FIDUCIARY NET POSITION - End of Year</b>	<b><u>\$ 5,952,652</u></b>	<b><u>\$ 5,286,864</u></b>	<b><u>\$ 4,863,072</u></b>	<b><u>\$ 4,691,783</u></b>
Net Pension (Asset) Liability	<u>\$ 1,129,091</u>	<u>\$ 1,736,772</u>	<u>\$ 1,617,061</u>	<u>\$ 1,472,201</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.06%	75.27%	75.05%	76.12%
Covered Payroll	\$ 653,809	\$ 591,797	\$ 667,541	\$ 677,155
Net Pension Liability as a Percentage of the Covered Employee Payroll	172.69%	293.47%	242.24%	217.41%

*Additional years will be added to this schedule annually until 10 years' data is presented.*

**Notes to Schedule**

There have been no changes in benefits

Changes of assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

For fiscal year 2015, the covered employee payroll figures were based on pensionable salary

**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY CONTRIBUTIONS  
POLICE OFFICERS' RETIREMENT SYSTEM  
YEAR ENDED SEPTEMBER 30, 2018**

Year Ended September 30,	Actuarially Determined Contribution	Contributions In Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2018	\$ 34,253	\$ 34,253	\$ -	\$ 83,181	41.18%
2017	35,124	35,124	-	148,690	23.62%
2016	75,649	80,147	4,498	181,491	44.16%
2015	139,880	143,433	3,553	152,797	93.87%
2014	178,966	181,390	2,424	157,429	115.22%

*Additional years will be added to this schedule annually until 10 years data is presented.*

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date - for September 30, 2018 contributions, the valuation date was as of October 1, 2016.

Actuarial Cost Method - the entry age normal actuarial cost method is used.

Amortization method - level dollar, closed.

Remaining amortization period - 26 years as of the October 1, 2016 valuation.

Asset valuation method - each year, the actuarial value of assets is brought forward utilizing the historical geometric four year average market value, net of fees.

Inflation - 2.5%

Salary increases - 6% per year until the assumed retirement age.

Investment rate of return - 8.0% per year compounded annually, net of investment related expenses.

Payroll growth - None

Cost of living - 1.46% automatic lifetime COLA, beginning one year after the normal retirement.

Retirement age - earlier of age 55 with 10 years of service, the completion of 25 years of credited service, regardless of age or attainment of age 60. It is assumed members will continue employment for one additional year after reaching normal retirement age.

Mortality - RP - 2000 mortality tables for active, inactive and disabled males or females, as appropriate with adjustments for mortality improvements based on Scale BB.

Termination and disability rate table:

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%



**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY CONTRIBUTIONS  
FIREFIGHTERS' RETIREMENT SYSTEM  
YEAR ENDED SEPTEMBER 30, 2018**

Year Ended September 30,	Actuarially Determined Contribution	Contributions In Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2018	\$ 367,525	\$ 370,264	\$ 2,739	\$ 630,200	58.75%
2017	406,640	410,236	3,596	653,809	62.75%
2016	400,417	409,757	9,340	591,797	69.24%
2015	406,922	449,177	42,255	749,322	59.94%
2014	379,179	379,179	-	677,155	56.00%

*Additional years will be added to this schedule annually until 10 years data is presented.*

Notes to Schedule

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date - for September 30, 2018 contributions, the valuation date was as of October 1, 2016.

Actuarial Cost Method - the entry age normal actuarial cost method is used.

Amortization method - level percentage of pay, closed.

Remaining amortization period - 23 years as of the October 1, 2015 valuation.

Asset valuation method - all assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected mark value investment return) over a four year period.

Inflation - 2.5%

Salary increases - 6%

Investment rate of return - 7.75% per year compounded annually, net of investment related expenses.

Payroll growth - 0%

Cost of living - 3% automatic adjustment for five years for all retirees, excluding vested terminated members, beginning the first October 1 following the later of retirement age and 58.

Retirement age - earlier of age 55 with 10 years of service, or age 52 with 25 years of service. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.

Mortality - RP - 2000 mortality combined mortality tables for active, inactive and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB, when applicable.

Termination and disability rate table:

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY -  
FLORIDA RETIREMENT SYSTEM PENSION PLAN <sup>1</sup>  
YEAR ENDED SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability	0.002506030%	0.002295989%	0.002149501%	0.001058703%
City's Proportionate Share of the Net Pension Liability	\$ 754,829	\$ 679,138	\$ 542,751	\$ 136,746
City's Covered Payroll	\$ 1,238,447	\$ 954,979	\$ 927,819	\$ 360,509
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	60.95%	71.12%	58.50%	37.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension	84.26%	83.89%	84.88%	92.00%

\*The amounts presented for each fiscal year were determined as of June 30.

<sup>1</sup> Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S CONTRIBUTIONS -  
FLORIDA RETIREMENT SYSTEM PENSION PLAN <sup>1</sup>  
YEAR ENDED SEPTEMBER 30, 2018**

	2018	2017	2016	2015
Contractually Required Contribution	\$ 74,795	\$ 61,407	\$ 58,491	\$ 34,552
Contributions in Relation to the Contractually Required Contribution	(74,795)	(61,407)	(58,491)	(34,552)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,304,812	\$ 977,962	\$ 1,013,067	\$ 518,601
Contributions as a Percentage of Covered Employee Payroll	5.73%	6.28%	5.77%	6.66%

\*The amounts presented for each fiscal year were determined as of September 30.

<sup>1</sup> Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY -  
HEALTH INSURANCE SUBSIDY PENSION PLAN <sup>1</sup>  
YEAR ENDED SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability	0.003808200%	0.003207676%	0.003005484%	0.001178455%
City's Proportionate Share of the Net Pension Liability	\$ 403,064	\$ 342,980	\$ 350,277	\$ 120,184
City's Covered Payroll	\$ 1,243,830	\$ 1,028,400	\$ 927,819	\$ 360,509
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	32.41%	33.35%	37.75%	33.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension	2.15%	1.64%	0.97%	0.50%

\*The amounts presented for each fiscal year were determined as of June 30.

<sup>1</sup> Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF AVON PARK, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S CONTRIBUTIONS -  
HEALTH INSURANCE SUBSIDY PENSION PLAN <sup>1</sup>  
YEAR ENDED SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 21,771	\$ 17,531	\$ 16,820	\$ 7,312
Contributions in Relation to the Contractually Required Contribution	(21,771)	(17,531)	(16,820)	(7,312)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,311,165	\$ 1,062,216	\$ 1,013,067	\$ 518,601
Contributions as a Percentage of Covered Payroll	1.66%	1.65%	1.66%	1.41%

\*The amounts presented for each fiscal year were determined as of September 30.

<sup>1</sup> Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

## **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, 2018.**

**CITY OF AVON PARK, FLORIDA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES – CRA FUNDS  
 YEAR ENDED SEPTEMBER 30, 2018**

	Community Redevelopment Agency - Main Street Fund	Community Redevelopment Agency - South Side Fund	Community Redevelopment Agency - Airport Fund	Total CRA Funds
<b>REVENUES</b>				
Tax Increment Revenues:				
Avon Park Transfer	\$ 4,137	\$ 870	\$ 732	\$ 5,739
Highlands County	117,899	24,808	20,849	163,556
Miscellaneous	800	-	-	800
Total Revenues	<u>122,836</u>	<u>25,678</u>	<u>21,581</u>	<u>170,095</u>
<b>EXPENDITURES</b>				
Personal Services	18,749	7,068	3,481	29,298
Professional Services	5,871	263	263	6,397
Miscellaneous	9,178	1,233	132	10,543
Grants and Subsidies	5,252	1,945	-	7,197
Capital Projects	231,490	-	-	231,490
Total Expenditures	<u>270,540</u>	<u>10,509</u>	<u>3,876</u>	<u>284,925</u>
<b>NET CHANGE IN FUND BALANCE</b>	(147,704)	15,169	17,705	(114,830)
Fund Balances - Beginning of year	<u>(46,788)</u>	<u>47,402</u>	<u>93,076</u>	<u>93,690</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ (194,492)</u></u>	<u><u>\$ 62,571</u></u>	<u><u>\$ 110,781</u></u>	<u><u>\$ (21,140)</u></u>

**CITY OF AVON PARK, FLORIDA  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 SEPTEMBER 30, 2018**

<b>ASSETS</b>	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>	<u>Total Pension Trust Funds</u>
Cash and Cash Equivalents	\$ 115,128	\$ 51,220	\$ 166,348
Receivables			
Contribution Receivable:			
Plan Members	154	1,109	1,263
State of Florida	63,092	39,835	102,927
Accrued Income	8,166	15,019	23,185
Total Receivables	<u>71,412</u>	<u>55,963</u>	<u>127,375</u>
Prepaid Benefit Payments	28,402	32,254	60,656
Investments, at Fair Market Value			
Multi-Sector Fixed Income Mutual Funds	-	320,799	320,799
Fixed Income Mutual Funds	2,129,268	-	2,129,268
U.S. Government and Agencies	-	661,642	661,642
Corporate and Foreign Bonds		685,745	685,745
Equity Securities and Mutual Funds	3,817,901	3,895,614	7,713,515
Real Estate Investment Fund	510,601	514,809	1,025,410
Total Investments	<u>6,457,770</u>	<u>6,078,609</u>	<u>12,536,379</u>
 Total Assets	 <u>6,672,712</u>	 <u>6,218,046</u>	 <u>12,890,758</u>
 Net Position Restricted for Pensions	 <u>\$ 6,672,712</u>	 <u>\$ 6,218,046</u>	 <u>\$ 12,890,758</u>



**CITY OF AVON PARK, FLORIDA  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2018**

	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>			
Contributions			
City	\$ -	\$ 330,429	\$ 330,429
Plan Members	4,159	31,510	35,669
State of Florida	63,092	39,835	102,927
Total Contributions	<u>67,251</u>	<u>401,774</u>	<u>469,025</u>
Investment Income	517,869	560,503	1,078,372
Less Investment Expenses:			
Investment Management Fees	20,889	10,300	31,189
Custodial Fees	1,899	3,369	5,268
Performance Evaluation Fees	17,000	17,000	34,000
Total Investment Expenses	<u>39,788</u>	<u>30,669</u>	<u>70,457</u>
Net Investment Income	478,081	529,834	1,007,915
Total Additions	545,332	931,608	1,476,940
<b>DEDUCTIONS</b>			
Administrative Expenses	50,669	66,010	116,679
Payments to Retirees and Participants	352,143	600,204	952,347
Total Deductions	<u>402,812</u>	<u>666,214</u>	<u>1,069,026</u>
<b>NET INCREASE IN NET POSITION</b>	142,520	265,394	407,914
Net Position Restricted for Pensions - Beginning of Year	<u>6,530,192</u>	<u>5,952,652</u>	<u>12,482,844</u>
<b>NET POSITION RESTRICTED FOR PENSION - END OF YEAR</b>	<u>\$ 6,672,712</u>	<u>\$ 6,218,046</u>	<u>\$ 12,890,758</u>

**CITY OF AVON PARK, FLORIDA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 SEPTEMBER 30, 2018**

Grantor/Pass through Grantor/ Program or Cluster Title	CFDA Number	Grant Contract Number	Expenditures	Passed Through to Subrecipients
<b><u>FEDERAL AWARDS</u></b>				
<b>U.S. Department of Transportation</b>				
Direct Programs:				
Airport Improvement Program	20.106	3-12-0004-018-2017	\$ 1,265,999	\$ -
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,265,999</b>	<b>\$ -</b>

**CITY OF AVON PARK, FLORIDA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2018**

**NOTE 1 GENERAL**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Avon Park, Florida (City). The City reporting entity is defined in Note 1 to the City's basic financial statements for the year ended September 30, 2018. All federal awards received directly from the respective federal agencies and passed through from state and local agencies are included in the schedule. The City did not receive noncash assistance during the year. There were no loans or loan guarantees outstanding.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting for awards recorded in the governmental funds and the accrual basis of accounting for awards recorded in the proprietary funds, which are described in Note 1 to the City's financial statements. The City has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 CONTINGENCIES**

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowances, if any would have a material effect on the financial position of the City. As of August 15, 2019, there were no material questioned or disallowed costs as a result of grant audits in process or completed.



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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avon Park, Florida (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 15, 2019. Our report includes a reference to other auditors who audited the financial statements of the pension trust funds, as described in our report on the City's financial statements. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*.

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

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-003, which we considered to be material weaknesses.

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

***Compliance and Other Matters***

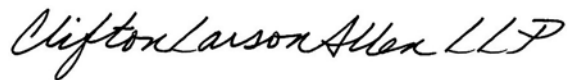
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**City of Avon Park, Florida's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Sebring, Florida  
August 15, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Avon Park, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-004. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-004, 2018-005 and 2018-006 that we consider to be material weaknesses.

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

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Sebring, Florida  
August 15, 2019



**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2018**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

- 1. Type of auditors’ report issued: Unmodified
- 2. Internal control over financial reporting:
  - Material weakness(es) identified?     x     yes                      no
  - Significant deficiency(ies) identified?                      yes     x     none reported
- 3. Noncompliance material to financial statements noted?                      yes     x     no

**Federal Awards**

- 1. Internal control over major federal programs:
  - Material weakness(es) identified?     x     yes                      no
  - Significant deficiency(ies) identified?                      yes     x     none reported
- 2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
- 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?     x     yes                      no

**Identification of Major Federal Programs**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section I – Summary of Auditors’ Results (Continued)***

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***Identification of Major Federal Programs (Continued)***

Auditee qualified as low-risk auditee?                     \_\_\_\_\_ yes                     \_\_\_\_\_ x no

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***Section II – Financial Statement Findings***

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**2018–001 – Timeliness of Review**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** Reconciliations of account balances and information used to derive financial statement balances should be reviewed in a timely manner. This includes the following:

- Bank reconciliations
- Other postemployment benefits census information

**Criteria or specific requirement:** The City’s management is responsible for establishing and maintaining internal control over account balances. Timely review of account reconciliations, and census information is key to maintaining adequate internal control over account and financial statement balances.

**Context:** Walkthroughs of internal controls over financial reporting identified the deficiencies.

**Effect:** Not reviewing the reconciliations and census information on a timely basis could result in undetected errors, including misstatement of cash or other general ledger accounts. Additionally, an inaccurate census could lead to undetected errors in the actuary’s valuation of the other postemployment benefits liability.

**Cause:** The City is working through staffing constraints, including extensive turnover in management positions, which has caused a backlog in review processes.

**Recommendation:** Management should improve on the timeliness of its review processes. A process should be implemented for review of the other postemployment benefits census before it is provided to the actuary. The City should consistently implement internal control processes requiring that all reconciliations be reviewed and approved by a member of management not responsible for the preparation of the item.

**Views of responsible officials and planned corrective actions:** Management concurs with the finding and will implement the appropriate processes.

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

**2018-002 – Procurement of Goods and Services**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** Certain items tested for compliance with the City's procurement policy were found to be in violation of the policy.

**Criteria or specific requirement:** The City's management is responsible for establishing and maintaining internal controls over procurement of goods and services and for following the City's adopted policies.

**Context:** Testing of internal controls over procurement identified the deficiencies.

**Effect:** Not following the procurement policies established by the City could lead to unauthorized purchases.

**Cause:** The City's purchasing policy was not followed.

**Recommendation:** Management should follow the City's adopted policy for procurement of goods and services. Management should develop a process to clearly document the procurement rationale for all purchases as well as the appropriate level of approval. The documentation should be retained as part of the City's records.

**Views of responsible officials and planned corrective actions:** Management concurs with the finding and recommendation. An appropriate process will be implemented and, in some cases, has already been implemented.

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

**2018-003 – Timeliness of Financial Statement Reporting**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** Delays in completing reconciliations, preparing schedules, and providing data to the City's actuary resulted in delays in preparing the City's annual financial statements.

**Criteria or specific requirement:** City management is responsible for establishing and maintaining internal controls over the financial statement close and reporting processes.

**Context:** Performance of standard audit procedures detected the issues.

**Effect:** The City has not complied with Sections 218.32 and 218.39, Florida Statutes, which require that Florida local governments complete an annual audit and submit a financial report no later than nine months after the end of the fiscal year.

**Cause:** The City experienced extensive turnover in management positions, which caused delays in completing the documents necessary to prepare the financial statements and complete the audit.

**Recommendation:** The City should ensure that sufficient internal and external resources are in place to timely reconcile account balances, prepare supporting schedules, and accumulate accurate census data for actuarial valuation.

**Views of responsible officials and planned corrective actions:** Management concurs with the finding and recommendation. The City experienced extensive turnover in management positions, which caused delays in completing the documents necessary to prepare the financial statements and complete the audit. Management is systematically hiring staff to eliminate this problem for subsequent years.

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2018-004 –Reporting**

Federal agency: Department of Transportation

Federal program title: Airport Improvement Program

CFDA Number: 20.106

AIP Grant Number: 3-12-0004-018-2017

Award Period: 09/15/2017-9/15/2021

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Noncompliance (Other Matters)

**Criteria or specific requirement:** 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires compliance with the provisions of reporting. The City should have internal controls designed to ensure compliance with those provisions. The Project No. 3-12-0004-018-2017 at the City of Avon Park's Airport, requires the City to submit formal financial and performance reports on a quarterly and annual basis.

**Condition:** The report for the first quarter of the fiscal year was not prepared or submitted by the due date. Additionally, reports prepared by the consultant are not reviewed by the grant manager prior to submission.

**Questioned costs:** None.

**Context:** During our testing we noted the October 1, 2017 to December 30, 2017 quarterly report was not prepared and submitted within 30 days after quarter end. Additionally, neither of the two reports tested was reviewed by a member of management prior to submission.

**Cause:** The grant administrator did not believe that the report need to be prepared as construction did not begin until after December 30, 2017, and therefore, there was no activity to report. Additionally, no internal control processes were in place to review reports prepared by the consultant prior to submission.

**Effect:** A failure to submit required reports to FAA could result in disciplinary action such as a delay in payments or change in award.

**Repeat Finding:** No.

**Recommendation:** We recommend the City ensure the consultant preparing grant reports is familiar with the grant and its requirements. In addition, a reviewer should be assigned to review all reports and other documents prepared by the consultant. The reviewer needs to be familiar with the grant and its requirements.

**Views of responsible officials:** Management concurs with the finding and recommendation. A reviewer has been assigned to the grant in question and reviewers will be assigned to all other grants involving a consultant.

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

**2018-005 –Cash Management**

Federal agency: Department of Transportation

Federal program title: Airport Improvement Program

CFDA Number: 20.106

AIP Grant Number: 3-12-0004-018-2017

Award Period: 09/15/2017-9/15/2021

Type of Finding:

- Material Weakness in Internal Control over Compliance

**Criteria or specific requirement:** 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires compliance with the provisions of cash management. The City should have internal controls designed to ensure compliance with those provisions.

**Condition:** During our testing, we noted the City did not have adequate internal controls designed for review of reimbursement requests prior to submission.

**Questioned costs:** None.

**Context:** During our testing, we noted that reimbursement requests were not reviewed prior to submission.

**Cause:** The City is working through extensive turnover in management positions, which caused a lack of review processes.

**Effect:** The auditor noted no instances of noncompliance with the provisions of cash management; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

**Repeat Finding:** No.

**Recommendation:** We recommend the City assign a member of management to review cash requests prior to submission. The reviewer needs to be familiar with the grant and its requirements.

**Views of responsible officials:** Management concurs with the finding and recommendation and has already implemented the recommendation.

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

**2018-006 – Special Tests and Provisions**

Federal agency: Department of Transportation

Federal program title: Airport Improvement Program

CFDA Number: 20.106

AIP Grant Number: 3-12-0004-018-2017

Award Period: 09/15/2017-9/15/2021

Type of Finding:

- Material Weakness in Internal Control over Compliance

**Criteria or specific requirement:** 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires compliance with the provisions of Special Tests and Provisions, including the Davis-Bacon Act. The City should have internal controls designed to ensure compliance with those provisions.

**Condition:** During our testing, we noted the City did not have adequate internal controls designed for review of Davis-Bacon Act monitoring and reporting performed by the grant consultant.

**Questioned costs:** None.

**Context:** During our testing, we noted that monitoring performed by the consultant is not reviewed by City management.

**Cause:** The City is working through extensive turnover in management positions, which caused a lack of review processes.

**Effect:** The auditor noted no instances of noncompliance with the provisions of the Davis-Bacon Act; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

**Repeat Finding:** No.

**Recommendation:** We recommend the City assign a member of management to review Davis-Bacon Act monitoring performed by the consultant. The reviewer needs to be familiar with the grant and its requirements.

**Views of responsible officials:** Management concurs with the finding and recommendation and will implement the recommendation immediately.



## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of the City of Avon Park, Florida (the City), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated August 15, 2019.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; schedule of findings and questioned costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated August 15, 2019, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report, except as identified in the schedule of findings and responses section below.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1 to the financial statements.



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

### **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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 the same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. Our recommendations are included in the accompanying schedule of findings and responses as 2018-007 and 2018-008.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Sebring, Florida  
August 15, 2019

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2018**

**STATUS OF PRIOR YEAR FINDINGS**

Prior Year Findings		Current Year Status			Current	2016-2017
		Cleared	Partially Cleared	Not Cleared	Year Finding #	Year Finding #
Accounts Payable Cutoff	Management Letter	X			N/A	2017-001
Budgets	Management Letter			X	2018-008	2017-002

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**2018-007: Continuing Education for Investments**

**Condition:** City personnel responsible for making investments decisions did not complete the required continuing education courses during the fiscal year ending September 30, 2018.

**Criteria or specific requirement:** Section 218.415(14), Florida Statutes and the City's Investment Policy state that personnel must annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products.

**Context:** Testing of investment compliance identified the condition.

**Effect:** Management's decisions may be affected by information obtained while participating in courses related to investment practices and products.

**Cause:** The City is working through extensive turnover in management positions.

**Recommendation:** The required continuing education should be obtained on an annual basis.

**Views of Responsible Officials:** Management concurs with the finding and recommendation. Corrective action has already been implemented by training of two individuals.

**CITY OF AVON PARK, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2018**

**2018-008: Budgets and Budget Amendments**

**Condition:** Expenditures in the Infrastructure Fund, Public Safety – Fire department exceeded the final budget by \$33,850.

**Criteria or specific requirement:** The City’s annual budget is adopted by the City Council at the department level. Therefore, the City’s legal level of budgetary control is at the department level.

**Context:** Review of final budget and actual amounts identified the condition.

**Effect:** One department in the Infrastructure Fund reported expenditures in excess of the final budget.

**Cause:** Amendments to the budget were not requested for transactions that exceeded the current budget in those departments. Additionally, significant amendments were not made until after fiscal year end indicating the continual monitoring of the budget is not occurring throughout the fiscal year.

**Recommendation:** Budgets should be monitored, and amended in a timely manner, to ensure that the City does not incur expenditures in excess of the budgeted amounts.

**Views of Responsible Officials:** Management concurs with the finding and recommendation. Corrective action has already been implemented.



## INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Avon Park, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018.

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Sebring, Florida  
August 15, 2019