

CITY OF AVON PARK, FLORIDA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2022



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective 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.

We did not audit the financial statements of the Firefighters' pension trust fund, which represent 55%, 56%, and 57%, respectively, of the assets net position, and revenues of the aggregate remaining fund as of September 30, 2022. 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 Firefighters' pension trust fund, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective October 1, 2021, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and a corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, information on other postemployment benefits, and information on pension benefits be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

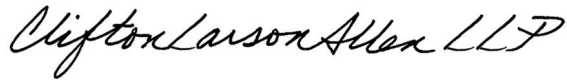
Supplementary Information

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 and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS by us and other auditors. In our opinion, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2023, 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 City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
June 22, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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, 2022.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by \$61.4 million (net position). Of this amount, \$34.8 million represented the City's net investment in capital assets, and \$9.3 million was restricted by laws or capital projects. The remaining \$17.3 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased \$2.4 million from its current year activity, of which \$2.2 million was an increase from governmental activities, and \$112,270 was an increase from business-type activities.
- As of September 30, 2022, the City reported combined governmental ending fund balances of \$16.3 million, an increase of \$2.0 million from the prior year. In addition, the City reported a combined proprietary fund net position of \$38.3 million, a decrease of \$112,270 from the prior year.
- On September 30, 2022, unassigned fund balance (the City's Reserves) for the general fund was \$6.4 million, or 100% of total general fund expenditures compared to 105% in the prior year. By policy, the City is only required to keep reserves of 20%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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.

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 private-sector businesses.

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 reported in this statement for some items may result in cash flows for future fiscal periods.

Both government-wide financial statements distinguish functions of the City principally supported by taxes and intergovernmental revenues (governmental activities) from other functions intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, transportation, culture and recreation, and economic environment. Business-type activities of the City include water and sewer, airport, and solid waste activities.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

The government-wide financial statements can be found by referencing the table of contents of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts used to maintain control over resources 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 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 four 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, CRA Fund (Main Street, South Side, and Airport), and Community Development Block Grant (CDBG) fund. 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, CRA Fund, and CDBG Fund. A budgetary comparison statement has been provided for the General Fund, Infrastructure Fund, CRA Fund, and CDBG Fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found by referencing the table of contents of this report.

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 uses 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, all considered major funds of the City. The basic proprietary fund financial statements can be found by referencing the table of contents of this report.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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 by referencing the table of contents of this report.

Notes to Financial Statements. The notes provide additional information 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 by referencing the table of contents 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 by referencing the table of contents 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 \$61.4 million at the close of the most recent fiscal year.

The largest portion of the City's net position, \$34.8 million (57%), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt, if any, used to acquire those assets 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, \$9.3 million (15%), represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$17.3 million (28%).

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

The following table reflects a condensed statement of net position for the current year as compared to the prior year. For more detailed information, see the statement of net position by referencing the table of contents of this report.

CITY OF AVON PARK'S NET POSITION (SUMMARY)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 17,442,208	\$ 14,569,897	\$ 19,384,126	\$ 15,880,935	\$ 36,826,334	\$ 30,450,832
Capital Assets	8,147,167	8,241,997	26,959,261	27,188,347	35,106,428	35,430,344
Total Assets	25,589,375	22,811,894	46,343,387	43,069,282	71,932,762	65,881,176
Deferred Outflows of Resources	1,480,392	1,090,713	581,960	390,537	2,062,352	1,481,250
Long-Term Liabilities						
Outstanding	1,142,389	2,037,242	1,540,882	793,547	2,683,271	2,830,789
Other Liabilities	428,840	252,842	4,923,382	3,711,818	5,352,222	3,964,660
Total Liabilities	1,571,229	2,290,084	6,464,264	4,505,365	8,035,493	6,795,449
Deferred Inflows of Resources	2,444,262	804,677	2,096,090	701,731	4,540,352	1,506,408
Net Position:						
Net Investment in Capital Assets	8,078,853	8,230,176	26,748,667	27,178,409	34,827,520	35,408,585
Restricted	9,120,295	7,797,676	265,967	235,694	9,386,262	8,033,370
Unrestricted	5,855,128	4,779,994	11,350,359	10,838,620	17,205,487	15,618,614
Total Net Position	\$ 23,054,276	\$ 20,807,846	\$ 38,364,993	\$ 38,252,723	\$ 61,419,269	\$ 59,060,569

Governmental Activities. For the current year, total assets increased \$2,777,481 or 12%; deferred outflows of resources increased \$389,679 or 36%; total liabilities decreased \$718,855 or 31%; deferred inflows of resources increased \$1,639,585 or 204%; resulting in an increase to net position of \$2,246,430 or 11%.

The most significant change in total assets include an increase in cash of \$1,957,013 or 15%

The increase in deferred outflows and deferred inflows represent actuarial differences for pension and other postemployment benefits to be recognized as expenses in future periods and is primarily due to the current year's investment performance of the City's pension plans which were greater than the actuarial projection for the current year and due to changes in the assumed mortality rates for the firefighters pension trust fund.

The significant changes in total liabilities include a decrease in net pension liability of \$812,690 or 50% while other noncurrent liabilities decreased by \$82,163 or 20%. Other liabilities increased \$175,998 or 70%.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Business-type Activities. For the current year, total assets increased \$3,274,105 or 8%; deferred outflows of resources increased \$1,958,899 or 43%; total liabilities increased \$1,958,899 or 43%; and deferred inflows of resources increased \$1,394,359 or 200%, which resulted in an increase to net position of \$112,270 or less than 1%.

Significant changes in total assets include an increase in total cash of \$2,578,550 18% and an increase in lease receivables of \$1,693,441 as a result of the implementation of Government Accounting Standards Board Statement No. 87 – *Leases*. More information can be found in the notes to financial statements at Note 1.

Significant changes in total liabilities include increases in long-term liabilities of \$747,335 or 94% and increases in other liabilities of \$1,211,564 or 33%. The main increase in other liabilities is in unearned revenue which increased by \$940,619 or 46% and mostly represents American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) that have not been spent as of September 30, 2022.

Statement of Activities:

The following table reflects a condensed statement of activities for the current year as compared to the prior year. For more detailed information, see the statement of activities by referencing the table of contents of this report.

CITY OF AVON PARK'S STATEMENT OF ACTIVITIES (SUMMARY)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for Services	\$ 897,699	\$ 821,732	\$ 7,585,961	\$ 7,321,762	\$ 8,483,660	\$ 8,143,494
Operating Grants and Contributions	492,031	111,800	-	-	492,031	111,800
Capital Grants and Contributions	130,598	160,521	1,115,144	122,479	1,245,742	283,000
General Revenues:						
Property Taxes	1,115,604	611,901	-	-	1,115,604	611,901
Other Taxes	3,305,222	3,119,529	-	-	3,305,222	3,119,529
Insurance Recoveries	238,262	1,736	186,139	-	424,401	1,736
Other	2,120,266	1,848,700	127,089	22,714	2,247,355	1,871,414
Total Revenues	8,299,682	6,675,919	9,014,333	7,466,955	17,314,015	14,142,874

(continued)

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

(Continued)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Total Revenues	\$ 8,299,682	\$ 6,675,919	\$ 9,014,333	\$ 7,466,955	\$ 17,314,015	\$ 14,142,874
Expenses:						
General						
Government	946,539	925,651	-	-	946,539	925,651
Public Safety	3,924,265	3,606,025	-	-	3,924,265	3,606,025
Transportation	1,575,076	745,819	-	-	1,575,076	745,819
Culture and Recreation	576,376	535,810	-	-	576,376	535,810
Economic Environment	232,062	87,935	-	-	232,062	87,935
Water and Sewer	-	-	4,586,342	3,955,607	4,586,342	3,955,607
Airport	-	-	1,172,718	1,096,766	1,172,718	1,096,766
Solid Waste	-	-	1,941,937	1,598,975	1,941,937	1,598,975
Total Expenses	7,254,318	5,901,240	7,700,997	6,651,348	14,955,315	12,552,588
Excess (Deficiency) before Transfers	1,045,364	774,679	1,313,336	815,607	2,358,700	1,590,286
Transfers	1,201,066	1,176,225	(1,201,066)	(1,176,225)	-	-
Change in Net Position	2,246,430	1,950,904	112,270	(360,618)	2,358,700	1,590,286
Net Position - Beginning	20,807,846	18,856,942	38,252,723	38,613,341	59,060,569	57,470,283
Net Position - Ending	\$ 23,054,276	\$ 20,807,846	\$ 38,364,993	\$ 38,252,723	\$ 61,419,269	\$ 59,060,569

Governmental Activities. The City's governmental activities' change in net position for the year was an increase of \$2,246,430 an improvement of \$295,526 compared to the prior year's increase of \$1,950,904. Key components of the improvement compared to the prior year were total revenues increased by \$1,623,763 or 24% while total expenses increased \$1,353,078 or 23%, while transfers increased by \$24,841 or 2% during the year.

The increase in total revenues of \$1,623,763 includes the following significant changes:

- An increase of \$503,703 or 82% in property taxes due to increased millage rate and increased property values within the City.
- An increase of \$205,767 or 15% in infrastructure surtax revenue due to increases economic activity within the City increasing the sales subject to the surtax.
- An increase of \$380,231 or 340% in operating grants and contributions due to Community Development Block Grant (CDBG) grant revenue of \$301,931 and ARPA grant revenue of \$53,750 recognized in 2022 for which none was reported in the prior year.
- An increase of \$119,547 or 18% in franchise fees due to increased economic activity within the City.
- An increase of \$133,590 or 12% unrestricted intergovernmental revenue due to the use of ARPA SLFRF during 2022 which exceeded the uses in 2021.

The increase in total expenses of \$1,353,078 includes the following significant changes:

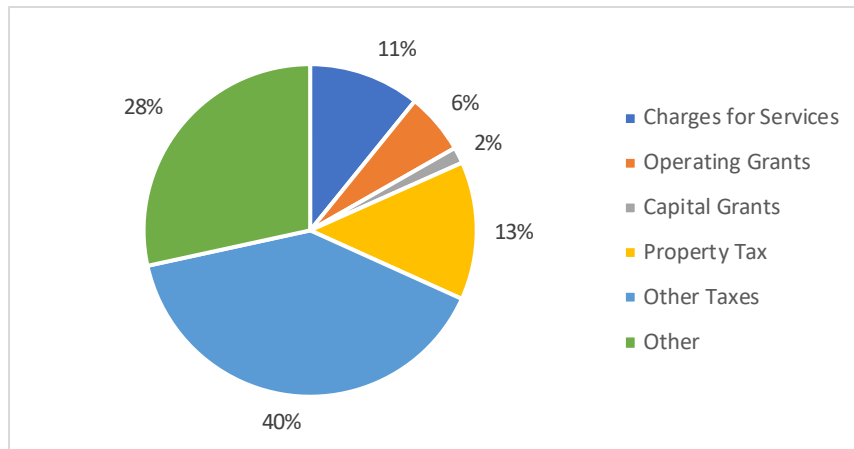
- Public safety expenses increased by \$318,240 or 9% mainly due to the amount charged by the Highland County Sheriff's Office to provide law enforcement services.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Transportation expenses increased by \$829,257 or 111% mainly due to increased personnel related expenses and project expenses that do not meet the criteria to be capitalized as a capital asset.

The following graphic reflects sources of revenue and charges for services for governmental activities.

Revenue by Source – Governmental Activities



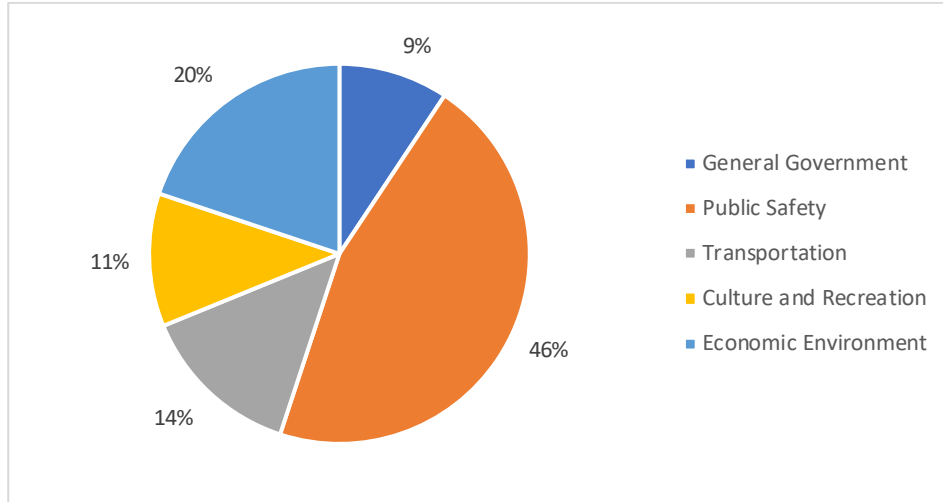
The largest revenue category for the governmental activities is tax revenue (property and other taxes) which account for 53% (56% in the prior year) of governmental activities revenue followed by other revenue totaling 28% (28% in the prior year) and charges for services at 11% (12% in the prior year).

Program Revenue increased \$426,275 or 39% compared to the prior year activity. Public Safety generated \$693,815 in program revenues/charges for services. The source of this revenue is primarily fire assessments on commercial and residential property. Assessments are charged on a per parcel basis and not property value. Assessments supplement fire department funding and are used as an alternative to property taxes. The fire assessment funds approximately 34% (33% in the prior year) of the department's total expenditures. Assessments are not used to purchase capital and large equipment purchases.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Program revenues and program expenses, by function, are illustrated in the following charts:

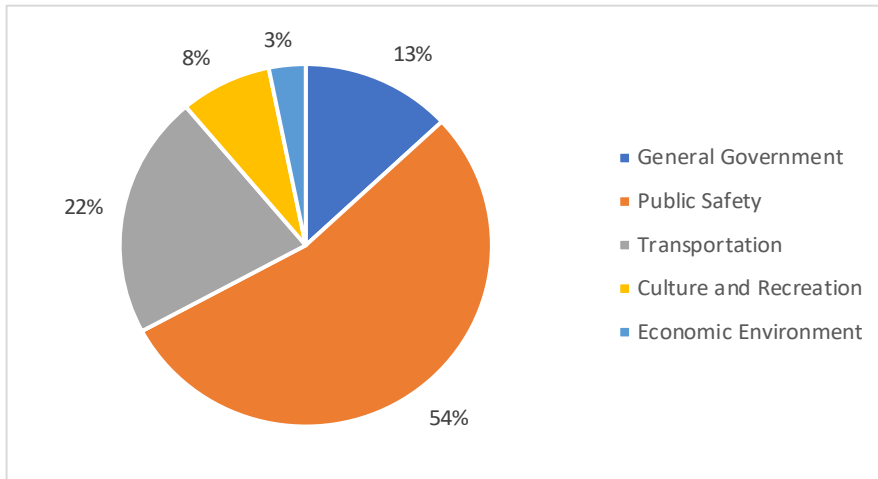
Program Revenue for Governmental Activities



Total expenses for governmental activities increased \$1,353,078 or 23% when compared to the prior year. Significant relationships between program revenues and expenses are as follows:

- General government accounts for 9% of program revenues and 13% of program expenses.
- Public safety accounts for 46% of program revenues and 54% of program expenses.
- Transportation accounts for 14% of program revenues and 22% of program expenses.

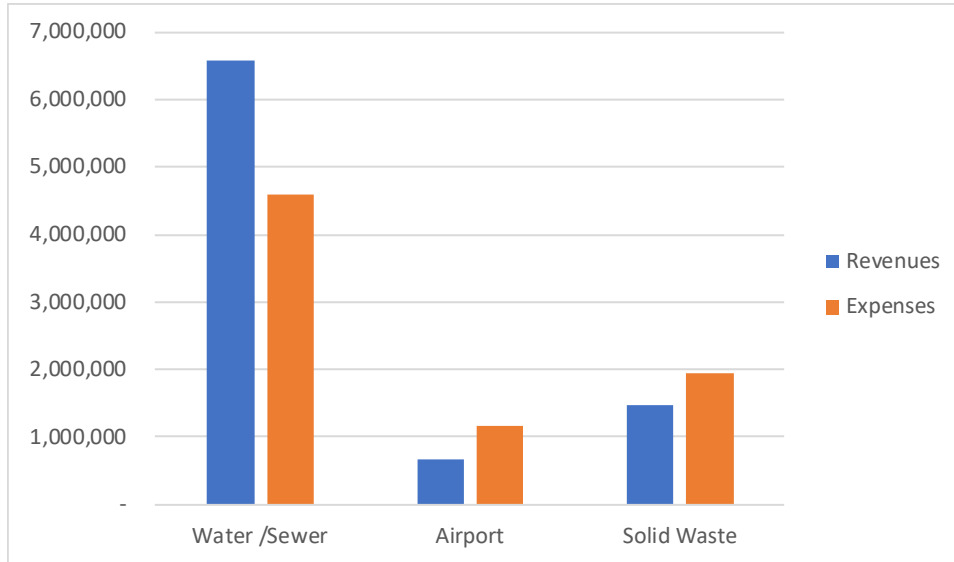
Program Expenses – Governmental Funds



**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Business-type Activities. Business-type activities account for 62% of the City's net position up from 65% in the prior year. Business-type activities include the Water Department Fund, the Airport Fund, and the Solid Waste (Sanitation) Fund. These funds differ from Governmental activities and funds in that Business-Type funds generally charge a fee to users of the service. The Water Fund derives income from water and sewer fees; Solid Waste from service fees; and Airport from facility rentals.

Program Revenues and Expenses – Business-Type Activities



The City's business-type activities had excess revenue before transfers of \$1,313,336, an increase of \$497,729 in comparison to the prior year. After transfers, business-type activities increased its net position by \$112,270, which was an improvement of \$472,888 in comparison to the prior year. Key elements of this change from the prior year were as follows:

The water and sewer fund had operating income of \$1,055,422, a decrease of \$362,335 compared to the prior year. The fund had a net increase in operating revenue of \$268,400 (5%). Personnel costs decreased \$461,370 (38%); supply costs decreased \$110,333 (6%); and depreciation expense decreased \$59,032 (6%). Overall operating expenses decreased \$277,172 (16%).

The Airport Fund had an operating loss of \$694,041, a deterioration of \$163,935 when compared to the prior year's loss. Operating revenues decreased \$87,983 (16%) and operating expenses increased \$75,952 (7%), of which depreciation decreased \$1,118 (<1%) and supplies expense increased \$77,070 (16%). On a cash flow basis, the Airport Fund had a negative operating cash flow of \$85,790 compared to positive operating cash flow of \$13,108 in the prior year. Because of its large investment in capital assets, the Airport Fund likely will not experience operating income for several years until operating revenues increase to offset the depreciation expense.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

The Solid Waste Fund had an operating loss of \$476,417, which is a deterioration of \$259,180 when compared to the prior year. Operating revenues increased \$83,782 (6%) and operating expenses increased \$342,962 (21%) when compared to the prior year. The change in expenses includes increases in personnel costs of \$173,042 (27%), an increase in materials and supplies of \$148,865 (21%) and an increase in depreciation of \$21,055 (9%). On a cash flow basis, the Solid Waste Fund had a negative operating cash flow of \$145,506 compared to a positive operating cash flow of \$43,468 in the prior year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *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 Fund Balances of \$16,264,668, an increase of \$2,000,946 in comparison to the prior year. The unassigned fund balance of \$6,249,099, or 38% (38% in the prior year), is available for spending at the City's discretion. Note the City assigned \$275,000 of fund balance during the 2019 fiscal year. This assignment is the balance of an insurance settlement for the old fire station. Assigned funds will be used to improve that specific site. \$249,495 is committed to payment of compensated absences. The fund balances of the City's Infrastructure and CRA Funds are restricted in their use.

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 \$6,369,214 while total fund balance reached \$7,456,622. 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 100% and 105%, respectively. The City's fund balance in the general fund for the fiscal year increased \$914,285 or 14%.

The fund balance of the City's infrastructure fund increased by \$981,600 during the current fiscal year due to the City spending less than it received 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 at the end of the year was \$11,160,323. The Airport and Solid Waste fund's unrestricted net position was (\$247,006) and \$437,042 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

Management has the authority to transfer budgeted funds among departments within a fund provided it is less than \$25,000 and the total original appropriation does not increase. The General Fund's budget for 2022 was amended during the year by increasing budgeted expenditures by \$258,591 or a 4% increase. The overall budget variance for expenditures of the General Fund was \$588,723 positive.

The Infrastructure Fund's budget for 2022 was amended during the year by increasing budgeted expenditures by \$338,890 or 25%. For the year, there was an overall favorable budget variance for expenditures in the amount of \$1,106,941. The reason for the favorable variance is because the City has not yet started certain projects it expected to begin and be completed during the current year.

The CRA Fund's budget for 2022 was amended during the year by increasing budgeted expenditures by \$338,800 or 1700%. Expenditures were less than budgeted amounts for a favorable expenditure budget variance of \$157,171.

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, 2022, net of accumulated depreciation, is \$35,106,428. 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 \$323,916 net decrease in the City's investment in capital assets for the current fiscal year is the result of depreciation expense exceeding capital additions for the current year.

**Capital Assets Activity
(net of accumulated depreciation)
As of September 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 403,202	\$ 404,202	\$ 2,349,207	\$ 2,349,207	\$ 2,752,409	\$ 2,753,409
Buildings and System	6,776,622	6,621,154	48,651,711	48,091,918	55,428,333	54,713,072
Machinery and Equipment	3,926,410	3,793,845	9,003,666	8,246,026	12,930,076	12,039,871
Right-to-Use Assets	-	-	4,902	-	4,902	-
Infrastructure	8,618,591	8,290,677	-	-	8,618,591	8,290,677
Construction in Progress	-	-	509,266	73,026	509,266	73,026
Total Capital Assets	19,724,825	19,109,878	60,518,752	58,760,177	80,243,577	77,870,055
Less: Accumulated Depreciation and Amortization	(11,577,658)	(10,867,881)	(33,559,491)	(31,571,830)	(45,137,149)	(42,439,711)
	\$ 8,147,167	\$ 8,241,997	\$ 26,959,261	\$ 27,188,347	\$ 35,106,428	\$ 35,430,344

Additional information on the City's capital assets can be found on Note 4 of the Notes to Financial Statements which can be found by referencing the table of contents of this report.

**CITY OF AVON PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Long-term debt. On September 30, 2021 the City had no formal long-term debt outstanding. During the 2022 year the City's business-type activities borrowed \$23,857 to fund water and sewer fund projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The City continues efforts to stimulate local growth, and attract businesses, by maintaining one of the lowest municipal taxable millage rates within the state of Florida and the lowest in Highlands County – 2.24 mills per \$1,000 of valuation for fiscal years 2022 which was increased to 4.3681 mills per \$1,000 of valuation for the fiscal year ended September 30, 2023. Furthermore, the City's taxable value increased by \$39,670,610 which will provide an additional \$173,280 in property tax revenue.

For the 2022-23 budget cycle, fees for services generally remained unchanged. Charges for services and utility tax budgeted revenues remained the same.

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, 2022**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 15,317,707	\$ 14,810,810	\$ 30,128,517
Restricted Equity in Pooled Cash and Cash Equivalents	-	1,978,846	1,978,846
Receivables, Net	231,927	953,259	1,185,186
Lease Receivables	660,077	1,693,441	2,353,518
Internal Balances	188,473	(188,473)	-
Due from Other Governments	584,353	17,856	602,209
Prepaid Items	1,009	-	1,009
Inventory	-	118,387	118,387
Real Estate for Sale	349,137	-	349,137
Net Pension Asset	109,525	-	109,525
Capital Assets:			
Land	403,202	2,349,207	2,752,409
Buildings and System	6,776,622	48,651,711	55,428,333
Equipment	3,926,410	9,003,666	12,930,076
Right-to-Use Asset	-	4,902	4,902
Infrastructure	8,618,591	-	8,618,591
Construction in Progress	-	509,266	509,266
Accumulated Depreciation and Amortization	(11,577,658)	(33,559,491)	(45,137,149)
Total Assets	<u>25,589,375</u>	<u>46,343,387</u>	<u>71,932,762</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	1,480,392	581,960	2,062,352
LIABILITIES			
Accounts Payable and Accrued Liabilities	383,472	568,294	951,766
Deposits	18,730	1,366,792	1,385,522
Unearned Revenue	26,638	2,988,296	3,014,934
Noncurrent Liabilities:			
Net Pension Liability	814,707	1,329,325	2,144,032
Total OPEB Liability	78,187	81,192	159,379
Due Within One Year	212,100	106,508	318,608
Due in More than One Year	37,395	23,857	61,252
Total Liabilities	<u>1,571,229</u>	<u>6,464,264</u>	<u>8,035,493</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,645,021	117,940	1,762,961
Deferred Inflows Related to OPEB	160,066	166,224	326,290
Deferred Inflows Related to Leases	639,175	1,811,926	2,451,101
Total Deferred Inflows of Resources	<u>2,444,262</u>	<u>2,096,090</u>	<u>4,540,352</u>
NET POSITION			
Net Investment in Capital Assets	8,078,853	26,748,667	34,827,520
Restricted for:			
Pension Benefits	109,525	-	109,525
Infrastructure	7,674,415	265,967	7,940,382
Community Redevelopment	1,322,061	-	1,322,061
Other	14,294	-	14,294
Unrestricted	<u>5,855,128</u>	<u>11,350,359</u>	<u>17,205,487</u>
Total Net Position	<u>\$ 23,054,276</u>	<u>\$ 38,364,993</u>	<u>\$ 61,419,269</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

	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
FUNCTIONS/PROGRAMS							
Governmental Activities:							
General Government	\$ 946,539	\$ 63,004	\$ 78,750	\$ -	\$ (804,785)	\$ -	\$ (804,785)
Public Safety	3,924,265	693,815	1,350	-	(3,229,100)	-	(3,229,100)
Transportation	1,575,076	112,594	-	96,638	(1,365,844)	-	(1,365,844)
Culture and Recreation	576,376	28,286	110,000	33,960	(404,130)	-	(404,130)
Economic Environment	232,062	-	301,931	-	69,869	-	69,869
Total Governmental Activities	<u>7,254,318</u>	<u>897,699</u>	<u>492,031</u>	<u>130,598</u>	<u>(5,733,990)</u>	<u>-</u>	<u>(5,733,990)</u>
Business-Type Activities:							
Water and Sewer	4,586,342	5,641,764	-	933,267	-	1,988,689	1,988,689
Airport	1,172,718	478,677	-	181,877	-	(512,164)	(512,164)
Solid Waste	1,941,937	1,465,520	-	-	-	(476,417)	(476,417)
Total Business-Type Activities	<u>7,700,997</u>	<u>7,585,961</u>	<u>-</u>	<u>1,115,144</u>	<u>-</u>	<u>1,000,108</u>	<u>1,000,108</u>
Total Primary Government	<u>\$ 14,955,315</u>	<u>\$ 8,483,660</u>	<u>\$ 492,031</u>	<u>\$ 1,245,742</u>	<u>(5,733,990)</u>	<u>1,000,108</u>	<u>(4,733,882)</u>
GENERAL REVENUES							
Taxes:							
Property					1,115,604	-	1,115,604
Fuel					412,635	-	412,635
Infrastructure Surtax					1,576,557	-	1,576,557
Utility and Communication Services					1,249,039	-	1,249,039
Other					66,991	-	66,991
Franchise Fees					771,816	-	771,816
Unrestricted Intergovernmental Revenue					1,283,118	-	1,283,118
Investment Earnings					63,310	66,313	129,623
Insurance Recoveries					238,262	186,139	424,401
Gain on Sale of Capital Assets					-	2,555	2,555
Miscellaneous					2,022	58,221	60,243
Transfers					1,201,066	(1,201,066)	-
Total General Revenues and Transfers					<u>7,980,420</u>	<u>(887,838)</u>	<u>7,092,582</u>
CHANGE IN NET POSITION					2,246,430	112,270	2,358,700
Net Position - Beginning of Year					<u>20,807,846</u>	<u>38,252,723</u>	<u>59,060,569</u>
NET POSITION - END OF YEAR					<u>\$ 23,054,276</u>	<u>\$ 38,364,993</u>	<u>\$ 61,419,269</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

ASSETS	<u>General</u>	<u>Infrastructure</u>	<u>CRA</u>	<u>Nonmajor CDBG</u>	<u>Total Governmental Funds</u>
Equity in Pooled Cash and Cash					
Equivalents	\$ 6,634,885	\$ 7,356,037	\$ 1,326,785	\$ -	\$ 15,317,707
Receivables, Net	231,927	-	-	-	231,927
Leases Receivables	660,077	-	-	-	660,077
Due from Other Governments	276,884	251,021	-	56,448	584,353
Due from Other Funds	57,724	-	-	-	57,724
Prepaid Items	1,009	-	-	-	1,009
Real Estate for Sale	349,137	-	-	-	349,137
Advances to Other Funds	198,473	-	-	-	198,473
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 8,410,116</u>	<u>\$ 7,607,058</u>	<u>\$ 1,326,785</u>	<u>\$ 56,448</u>	<u>\$ 17,400,407</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued					
Liabilities	\$ 258,951	\$ 957	\$ 4,725	\$ 118,839	\$ 383,472
Due to Other Funds	10,000	-	-	57,724	67,724
Deposits	18,730	-	-	-	18,730
Unearned Revenue	26,638	-	-	-	26,638
Total Liabilities	<u>314,319</u>	<u>957</u>	<u>4,725</u>	<u>176,563</u>	<u>496,564</u>
 DEFERRED INFLOWS OF RESOURCES					
Lease Related	639,175	-	-	-	639,175
Total Deferred Inflows of Resources	<u>639,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>639,175</u>
 FUND BALANCES					
Nonspendable:					
Prepaid Items	1,009	-	-	-	1,009
Advances to Other Fund	198,473	-	-	-	198,473
Real Estate for Sale	349,137	-	-	-	349,137
Restricted for:					
Law Enforcement	7,812	-	-	-	7,812
Bouis Fountain	6,482	-	-	-	6,482
Infrastructure	-	7,606,101	-	-	7,606,101
Community Redevelopment	-	-	1,322,060	-	1,322,060
Committed for Compensated Absences	249,495	-	-	-	249,495
Assigned for Capital Improvements	275,000	-	-	-	275,000
Unassigned	6,369,214	-	-	(120,115)	6,249,099
Total Fund Balances	<u>7,456,622</u>	<u>7,606,101</u>	<u>1,322,060</u>	<u>(120,115)</u>	<u>16,264,668</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,410,116</u>	<u>\$ 7,607,058</u>	<u>\$ 1,326,785</u>	<u>\$ 56,448</u>	<u>\$ 17,400,407</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, 2022**

Fund Balances - Total Government Funds		\$ 16,264,668
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:		
Net pension asset is not available to pay current period expenditures and therefore are not reported as assets in the governmental funds.		109,525
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,	\$ 1,480,392	
Deferred Inflows of Resources - Pension Related	<u>(1,645,021)</u>	(164,629)
Deferred outflows and inflows of resources related to OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred Inflows of Resources - OPEB Related		(160,066)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of Capital Assets	19,724,825	
Accumulated Depreciation	<u>(11,577,658)</u>	8,147,167
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.		
OPEB Liability	(78,187)	
Compensated Absences	(249,495)	
Net Pension Liability	<u>(814,707)</u>	(1,142,389)
Net Position of Governmental Activities		<u><u>\$ 23,054,276</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, 2022

	General	Infrastructure	CRA	Nonmajor CDBG	Total Governmental Funds
REVENUES					
Taxes	\$ 2,475,421	\$ 1,576,557	\$ 368,848	\$ -	\$ 4,420,826
Charges for Services	7,112	-	-	-	7,112
Permits, Fees, and Special Assessment	1,425,055	-	-	-	1,425,055
Intergovernmental	1,769,743	-	-	301,931	2,071,674
Fines and Forfeitures	38,740	-	-	-	38,740
Investment Earnings	57,657	5,653	-	-	63,310
Miscellaneous	87,867	169	-	-	88,036
Total Revenues	<u>5,861,595</u>	<u>1,582,379</u>	<u>368,848</u>	<u>301,931</u>	<u>8,114,753</u>
EXPENDITURES					
Current:					
General Government	847,362	-	-	-	847,362
Public Safety	4,201,012	-	-	-	4,201,012
Transportation	725,010	-	-	-	725,010
Culture and Recreation	408,871	-	-	-	408,871
Economic Environment	-	-	201,629	30,433	232,062
Capital Outlay	204,383	600,779	-	333,656	1,138,818
Total Expenditures	<u>6,386,638</u>	<u>600,779</u>	<u>201,629</u>	<u>364,089</u>	<u>7,553,135</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(525,043)	981,600	167,219	(62,158)	561,618
OTHER FINANCING SOURCES (USES)					
Insurance Proceeds	238,262	-	-	-	238,262
Transfers in	1,201,066	-	-	-	1,201,066
Total Other Financing Sources	<u>1,439,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,439,328</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	914,285	981,600	167,219	(62,158)	2,000,946
Fund Balances (Deficits) - Beginning of Year	<u>6,542,337</u>	<u>6,624,501</u>	<u>1,154,841</u>	<u>(57,957)</u>	<u>14,263,722</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 7,456,622</u>	<u>\$ 7,606,101</u>	<u>\$ 1,322,060</u>	<u>\$ (120,115)</u>	<u>\$ 16,264,668</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balances - Total Government Funds \$ 2,000,946

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. (53,333)

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 389,001

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	\$ 615,946	
Depreciation Expense	(709,776)	
Less: Net Book Value of Disposed Assets	<u>(1,000)</u>	(94,830)

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	16,394	
Compensated Absences	<u>(11,748)</u>	
		<u>4,646</u>

Changes in Net Position of Governmental Activities \$ 2,246,430

CITY OF AVON PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 2,295,350	\$ 2,295,350	\$ 2,475,421	\$ 180,071
Charges for Services	6,720	6,720	7,112	392
Permits, Fees, and Special Assessments	1,333,770	1,333,770	1,425,055	91,285
Intergovernmental	1,341,750	1,341,750	1,769,743	427,993
Fines and Forfeitures	36,700	36,700	38,740	2,040
Investment Earnings	900	900	57,657	56,757
Miscellaneous	68,200	68,200	87,867	19,667
Total Revenues	5,083,390	5,083,390	5,861,595	778,205
EXPENDITURES				
General Government:				
City Council	165,630	102,280	86,379	15,901
City Manager	449,600	437,620	392,537	45,083
Finance	180,250	172,450	85,684	86,766
Legal Counsel	147,090	147,090	119,512	27,578
Other Governmental Services	151,980	232,017	200,469	31,548
Public Safety:				
Police	2,143,560	2,062,890	1,986,465	76,425
Fire	1,982,670	2,003,919	1,938,894	65,025
Code Enforcement	310,840	335,840	266,961	68,879
Planning and Zoning	38,500	38,500	35,000	3,500
Transportation:				
Street	612,850	854,085	792,723	61,362
Culture/Recreation:				
Parks	408,700	437,420	347,368	90,052
Recreation	95,780	116,410	100,933	15,477
Community Center	29,320	34,840	33,713	1,127
Total Expenditures	6,716,770	6,975,361	6,386,638	588,723
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,633,380)	(1,891,971)	(525,043)	1,366,928
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	238,262	238,262
Transfers in	-	-	1,201,066	1,201,066
Total Other Financing Sources (Uses)	-	-	1,439,328	1,439,328
NET CHANGE IN FUND BALANCE	(1,633,380)	(1,891,971)	914,285	2,806,256
Fund Balance - Beginning of Year	1,633,380	1,891,971	6,542,337	4,650,366
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 7,456,622	\$ 7,456,622

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, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 973,850	\$ 973,850	\$ 1,576,557	\$ 602,707
Intergovernmental	-	-	-	-
Investment Earnings	-	-	5,653	5,653
Miscellaneous	-	-	169	169
Total Revenues	<u>973,850</u>	<u>973,850</u>	<u>1,582,379</u>	<u>608,529</u>
EXPENDITURES				
General Government:				
Other Governmental Services	100,000	100,000	79,960	20,040
Public Safety:				
Police	165,830	162,230	162,225	5
Fire	153,000	177,602	39,161	138,441
Transportation:				
Street	700,000	987,888	281,865	706,023
Culture/Recreation:				
Parks	250,000	280,000	37,568	242,432
Total Expenditures	<u>1,368,830</u>	<u>1,707,720</u>	<u>600,779</u>	<u>1,106,941</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(394,980)	(733,870)	981,600	1,715,470
Fund Balance - Beginning of Year	<u>394,980</u>	<u>733,870</u>	<u>6,624,501</u>	<u>5,890,631</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,606,101</u></u>	<u><u>\$ 7,606,101</u></u>

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, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 431,560	\$ 431,560	\$ 368,848	\$ (62,712)
EXPENDITURES				
Economic Environment:				
Main Street	20,000	254,400	133,785	120,615
South Side	-	104,400	66,854	37,546
Airport	-	-	990	(990)
Total Expenditures	<u>20,000</u>	<u>358,800</u>	<u>201,629</u>	<u>157,171</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	411,560	72,760	167,219	94,459
Fund Balance - Beginning of Year	<u>(66,281)</u>	<u>431,355</u>	<u>1,154,841</u>	<u>723,486</u>
FUND BALANCE - END OF YEAR	<u>\$ 345,279</u>	<u>\$ 504,115</u>	<u>\$ 1,322,060</u>	<u>\$ 817,945</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022**

	Business-Type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
ASSETS				
Current Assets:				
Equity in Pooled Cash and Cash				
Equivalents	\$ 13,847,404	\$ 444,538	\$ 518,868	\$ 14,810,810
Receivables, Net	816,396	87,711	49,152	953,259
Leases Receivable - Current	-	18,591	-	18,591
Due from Other Governments	-	17,856	-	17,856
Due from Other Funds	-	10,000	-	10,000
Inventories	74,223	44,164	-	118,387
Total Current Assets	<u>14,738,023</u>	<u>622,860</u>	<u>568,020</u>	<u>15,928,903</u>
Noncurrent Assets:				
Equity in Pooled Cash and Cash				
Equivalents Restricted for Impact Fees and Grants	1,978,846	-	-	1,978,846
Lease Receivable - Noncurrent	-	1,674,850	-	1,674,850
Advance to Other Funds	-	-	366,538	366,538
Capital Assets:				
Land	1,648,740	700,467	-	2,349,207
Building and System	32,827,205	15,822,651	1,855	48,651,711
Equipment	6,020,814	298,357	2,684,495	9,003,666
Right-to-Use Asset	4,902	-	-	4,902
Construction in Progress	262,962	246,304	-	509,266
Accumulated Depreciation and Amortization	<u>(23,570,742)</u>	<u>(8,235,411)</u>	<u>(1,753,338)</u>	<u>(33,559,491)</u>
Capital Assets, Net of				
Accumulated Depreciation and Amortization	<u>17,193,881</u>	<u>8,832,368</u>	<u>933,012</u>	<u>26,959,261</u>
Total Noncurrent Assets	<u>19,172,727</u>	<u>10,507,218</u>	<u>1,299,550</u>	<u>30,979,495</u>
Total Assets	33,910,750	11,130,078	1,867,570	46,908,398
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	388,461	-	193,499	581,960
Total Deferred Outflows of Resources	<u>388,461</u>	<u>-</u>	<u>193,499</u>	<u>581,960</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2022**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 358,060	\$ 115,075	\$ 95,159	\$ 568,294
Lease Payable	1,657	-	-	1,657
Compensated Absences	61,159	-	43,692	104,851
Deposits	1,314,088	52,704	-	1,366,792
Unearned Revenue	2,988,296	-	-	2,988,296
Total Current Liabilities	<u>4,723,260</u>	<u>167,779</u>	<u>138,851</u>	<u>5,029,890</u>
Noncurrent Liabilities:				
Advances from Other Funds	-	565,011	-	565,011
Loans Payable	23,857	-	-	23,857
Total OPEB Liability	57,135	-	24,057	81,192
Net Pension Liability	887,330	-	441,995	1,329,325
Total Noncurrent Liabilities	<u>968,322</u>	<u>565,011</u>	<u>466,052</u>	<u>1,999,385</u>
Total Liabilities	5,691,582	732,790	604,903	7,029,275
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	78,725	-	39,215	117,940
Deferred Inflows Related to OPEB	116,975	-	49,249	166,224
Deferred Inflows Related to Leases	-	1,811,926	-	1,811,926
Total Deferred Inflows of Resources	<u>195,700</u>	<u>1,811,926</u>	<u>88,464</u>	<u>2,096,090</u>
NET POSITION				
Net Investment in Capital Assets	16,985,639	8,832,368	930,660	26,748,667
Restricted	265,967	-	-	265,967
Unrestricted	11,160,323	(247,006)	437,042	11,350,359
Total Net Position	<u>\$ 28,411,929</u>	<u>\$ 8,585,362</u>	<u>\$ 1,367,702</u>	<u>\$ 38,364,993</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, 2022**

	Business-Type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	
OPERATING REVENUES				
Charges for Services	\$ 5,641,764	\$ 271,577	\$ 1,464,529	\$ 7,377,870
Sales of Fuel	-	207,100	-	207,100
Miscellaneous	-	-	991	991
Total Operating Revenues	<u>5,641,764</u>	<u>478,677</u>	<u>1,465,520</u>	<u>7,585,961</u>
OPERATING EXPENSES				
Personal Services	1,665,530	-	814,482	2,480,012
Materials, Supplies, Services, and Other				
Operating Expenses	1,808,640	550,156	874,528	3,233,324
Depreciation and Amortization	1,112,172	622,562	252,927	1,987,661
Total Operating Expenses	<u>4,586,342</u>	<u>1,172,718</u>	<u>1,941,937</u>	<u>7,700,997</u>
OPERATING INCOME (LOSS)	1,055,422	(694,041)	(476,417)	(115,036)
NONOPERATING REVENUES				
Investment Earnings	16,159	46,326	3,828	66,313
Gain (Loss) from Sale of Capital Assets	2,555	-	-	2,555
Insurance Recoveries	164,235	-	21,904	186,139
Miscellaneous	7,828	50,393	-	58,221
Total Nonoperating Revenues	<u>190,777</u>	<u>96,719</u>	<u>25,732</u>	<u>313,228</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,246,199	(597,322)	(450,685)	198,192
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital Grants	799,653	181,877	-	981,530
Capital Contributions - Impact Fees and Capital Contributions	133,614	-	-	133,614
Transfers In	-	-	1,908	1,908
Transfers Out	(1,200,000)	(2,974)	-	(1,202,974)
Total Capital Contributions and Transfers	<u>(266,733)</u>	<u>178,903</u>	<u>1,908</u>	<u>(85,922)</u>
CHANGES IN NET POSITION	979,466	(418,419)	(448,777)	112,270
Total Net Position - Beginning of Year	<u>27,432,463</u>	<u>9,003,781</u>	<u>1,816,479</u>	<u>38,252,723</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 28,411,929</u>	<u>\$ 8,585,362</u>	<u>\$ 1,367,702</u>	<u>\$ 38,364,993</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2022**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 6,878,550	\$ 464,661	\$ 1,498,882	\$ 8,842,093
Cash Paid to Suppliers	(1,532,573)	(550,451)	(874,366)	(2,957,390)
Cash Paid to Employees	(1,597,003)	-	(770,022)	(2,367,025)
Net Cash Provided (Used) by Operating Activities	3,748,974	(85,790)	(145,506)	3,517,678
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) Other Funds	(1,200,000)	(32,709)	16,910	(1,215,799)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(1,136,740)	(323,798)	(273,540)	(1,734,078)
Proceeds from Capital Grants	1,456,672	177,021	-	1,633,693
Proceeds from Sale of Asset	2,555	-	-	2,555
Proceeds from Insurance Claim	164,235	-	-	164,235
Principal paid on lease payable	(3,245)	-	-	(3,245)
Return of Deposits	(14,367)	(3,736)	-	(18,103)
Other Receipts	7,828	-	-	7,828
Proceeds from Long Term Debt	23,859	-	-	23,859
Impact Fees Received	133,614	-	-	133,614
Net Cash Provided (Used) by Capital and Related Financing Activities	634,411	(150,513)	(273,540)	210,358
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of Interest	16,159	46,326	3,828	66,313
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,199,544	(222,686)	(398,308)	2,578,550
Equity in Pooled Cash and Cash Equivalents - Beginning of Year	12,626,706	667,224	917,176	14,211,106
EQUITY IN POOLED CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 15,826,250</u>	<u>\$ 444,538</u>	<u>\$ 518,868</u>	<u>\$ 16,789,656</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Equity in Pooled Cash and Cash Equivalents	\$ 13,847,404	\$ 444,538	\$ 518,868	\$ 14,810,810
Equity in Pooled Cash and Cash Equivalents Restricted for Impact Fees	1,978,846	-	-	1,978,846
EQUITY IN POOLED CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 15,826,250</u>	<u>\$ 444,538</u>	<u>\$ 518,868</u>	<u>\$ 16,789,656</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2022**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,055,422	\$ (694,041)	\$ (476,417)	\$ (115,036)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	1,112,172	622,562	252,927	1,987,661
Changes in Certain Assets, Deferred Outflows Liabilities, and Deferred Inflows:				
Accounts Receivable	92,010	18,949	23,300	134,259
Leases Receivable		(1,693,441)	-	-
Inventories and Prepaids	1,623	(4,513)	-	(2,890)
Deferred Outflows of Resources	(127,775)	-	(63,647)	(191,422)
Accounts Payable and Accrued Liabilities	274,609	4,219	10,224	289,052
Compensated Absences	13,734	-	16,324	30,058
Deposits	-	52,704	-	52,704
Unearned Revenue	1,144,774	-	-	1,144,774
Other Postemployment Benefits	(68,628)	-	(28,896)	(97,524)
Net Pension Liability	526,852	-	262,434	789,286
Deferred Inflows of Resources	(275,819)	1,607,771	(141,755)	1,190,197
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,748,974</u>	<u>\$ (85,790)</u>	<u>\$ (145,506)</u>	<u>\$ 3,517,678</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Assets Acquired Through Retainage and Accounts Payable	<u>\$ 182,728</u>	<u>\$ -</u>	<u>\$ 2,352</u>	<u>\$ 185,080</u>

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2022**

	Pension Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 569,688
Receivables:	
Accrued Income	16,488
Prepaid Benefit Payments	74,062
Investments, at Fair Market Value:	
Multi-Sector Fixed Income Mutual Funds	299,701
Fixed Income Mutual Funds	1,622,921
U.S. Government and Agencies	877,274
Corporate and Foreign Bonds	488,932
Equity Securities and Mutual Funds	7,340,419
Real Estate Investment Fund	1,500,827
Total Investments	12,130,074
Total Assets	12,790,312
LIABILITIES	
Accounts Payable	22,380
Due to Broker	3,754
Contribution Refund Payable	-
Total Liabilities	26,134
Net Position Restricted for Pensions	\$ 12,764,178

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
YEAR ENDED SEPTEMBER 30, 2022**

	Pension Trust Funds
ADDITIONS	
Contributions:	
City	\$ 460,626
Plan Members	52,624
State of Florida	42,417
Total Contributions	555,667
Investment Income (Loss)	(2,397,648)
Less Investment Expenses:	
Investment Management Fees	24,259
Custodial Fees	7,579
Performance Evaluation Fees	34,000
Total Investment Expenses	65,838
Net Investment Income (Loss)	(2,463,486)
Total Additions	(1,907,819)
DEDUCTIONS	
Administrative Expenses	139,127
Payments to Retirees and Participants	880,132
Total Deductions	1,019,259
CHANGE IN NET POSITION	(2,927,078)
Net Position Restricted for Pension - Beginning of Year	15,691,256
NET POSITION RESTRICTED FOR PENSION - END OF YEAR	\$ 12,764,178

See accompanying Notes to Financial Statements.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Avon Park, Florida (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 March 28, 1988, pursuant to Florida Statute 163.356, by the passage of City Ordinance No. 822 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. 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. Separate financial statements for the CRA may be obtained by writing to the CRA, Office of the City Manager, 110 E. Main Street, Avon Park, FL 33825.

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, 2022**

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, 2022**

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, 2022**

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 an other 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, 2022**

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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of Presentation (Continued)

Other Funds

Community Development Block Grant (CDBG) Fund – This special revenue fund is used to account for Federal CDBG revenues that are legally restricted for expenditures of specific purposes.

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, CRA Fund, and CDBG 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Reconciliation of Government-wide and Fund Financial Statements

The “net change in fund balances” for governmental funds, an increase of \$2,000,946, differs from the “change in net position” for governmental activities, an increase of \$2,885,605, 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 \$-0- and \$1,908, respectively, were eliminated. Amounts due to and due from between governmental activities of \$57,724 were eliminated. In addition, advances to and advances from between governmental and business-type activities in the amount of \$-0- and \$366,538, 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

I. Real Estate Available for Sale

Real estate available for sale is recorded at the lower of cost or 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 issued to account for inventories.

K. Prepaid Items

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items. Prepays are expensed in the periods benefitted.

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 general fund to maintain accountability and to properly disclose the amount available for appropriations. Repayments are recorded as reductions in the receivable.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The unearned revenue will be recognized as revenues in the fiscal year in which they are earned.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 manager and department heads are not limited and will be paid in full unless under a 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, 2022, 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

These items include differences in expected and actual experience, 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 relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program and the City's contributions subsequent to the measurement date. The other amounts will be recognized as increases in pension expense in future years.

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 60 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, OPEB, and leases, 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Pension Plans (Continued)

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.

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. Leases

Lessee Arrangement

The City determines if an arrangement is a lease at inception. Leases are included in capital assets and lease liabilities in the statement of net position.

Lease assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the City will exercise that option.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Leases (Continued)

Lessee Arrangement (Continued)

The City has recognized payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Significant lease terms are disclosed in Note 14.

The City accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the City treats the components as a single lease unit.

Lessor Arrangements

The City determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

Amounts to be received under residual value guarantees that are not fixed in substance are recognized as a receivable and an inflow of resources if (a) a guaranteed payment is required and (b) the amount can be reasonably estimated. Amounts received for the exercise price of a purchase option or penalty for lease termination are recognized as a receivable and an inflow of resources when those options are exercised.

The City has recognized payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

Significant lease terms are disclosed in Note 14.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Leases (Continued)

Lessor Arrangements (Continued)

The City accounts for contracts for containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the City treats the components as a single lease unit.

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, 2021) were assessed on July 1, 2021 based on property values of January 1, 2021. The taxes were billed in the month of November 2021 by the Highlands County Tax Collector who remits collected taxes to the City monthly.

Taxes were due November 1, 2021 (levy date) and became delinquent April 1, 2022. Tax certificates were issued for delinquent taxes by June 1, 2022 (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, 2022**

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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective October 1, 2021 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

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	\$ 30,660,277
Cash on Hand	2,000
Investments	14,144,848
Total	<u>\$ 44,807,125</u>
Statement of Net Position:	
Equity in Pooled Cash and Cash Equivalents	\$ 30,128,517
Restricted Equity in Pooled Cash and Cash Equivalents	1,978,846
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	569,688
Investments	12,130,074
Total	<u>\$ 44,807,125</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

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, 2022:

	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
Multi-Sector Fixed Income Mutual Funds	\$ 299,701	\$ 299,701	\$ -	\$ -
Fixed Income Mutual Funds	1,622,921	1,622,921	-	-
U.S. Government and Agencies	877,274	-	877,274	-
Corporate and Foreign Bonds	488,932	-	488,932	-
Equity Securities and Equity Mutual Funds	7,340,419	7,340,419	-	-
Total Investments Measured at Fair Value	10,629,247	\$ 9,263,041	\$ 1,366,206	\$ -
Investments Measured at Net Asset Value:				
Real Estate Investment Fund	1,500,827			
Investments Measured at Amortized Cost:				
SBA Florida PRIME	2,014,774			
Total Investments	\$ 14,144,848			

The City owns shares in a real estate investment fund which is a pooled investment fund that is a broadly diversified core real estate fund that reports its value at net asset value (NAV) per share. Redemption requests of units in the real estate investment fund may be made at any time and are effective at the end of the calendar quarter in which the request is received by the investment fund. The units that are subject to the City's redemption notice may be redeemed in installments as funds become available for such purpose and the redemption price will be the value per unit at such time the payment is made. The real estate investment fund is not required to liquidate or encumber assets or defer investments in order to make redemptions.

All investments in the real estate investment fund are appraised by an independent third-party MAI appraiser each and every quarter, commencing the quarter after the investment is made. The appraiser must hold a nationally recognized professional appraisal designation (MAI with the Appraisal Institute) and comply with the Uniform Standards of Professional Appraisal Practice as adapted by the Appraisal Standards Board of the Appraisal Foundation and Appraisal Institute.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022, the City had the following investments in debt securities and related maturities:

Investment Type	Fair Value	Remaining Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Governmental and Business-Type Activities:					
SBA Florida PRIME	\$ 2,014,774	\$ 2,014,774	\$ -	\$ -	\$ -
Fiduciary:					
Multi-Sector Fixed Income Mutual Funds	299,701	60	117,183	132,798	49,660
Fixed Income Mutual Funds	1,622,921	-	829,147	793,774	-
U.S. Government and Agencies	877,274	-	144,306	247,199	485,769
Corporate and Foreign Bonds	488,932	-	118,186	304,452	66,294
Total Fair Value	<u>\$ 5,303,602</u>	<u>\$ 2,014,834</u>	<u>\$ 1,208,822</u>	<u>\$ 1,478,223</u>	<u>\$ 601,723</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, 2022 for each type of investment in debt securities.

S&P Rating	Market Value
Governmental and Business-Type Activities:	
AAAm	\$ 2,014,774
Fiduciary:	
Not Rated	1,622,921
AAA to A-	1,236,341
BBB+ to BBB	415,240
Below B	14,326
Total	<u>\$ 5,303,602</u>

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

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

Concentration of Investment Risk. Concentration of investment risk is the risk of losses that may occur from having a large portion of the City's holdings in a particular investment relative to the overall portfolio. GASB Statement 40 and GASB Statement 67 require disclosure of investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represents 5% or more of total investments or fiduciary net position. At September 30, 2022, the City and the Police Retirement System did not hold investments in any one organization that exceeded the threshold. At September 30, 2022, investment in the following mutual funds represented more than 5% of the Firefighters' Retirement System's net position:

<u>Investment Fund</u>	<u>% of Plan Net Position</u>
JP Morgan Equity Income Fund	7.39 %
MFS Growth Fund	7.03 %
Vanguard 500 Index Fund	17.84 %
Vanguard Extended Market Index Fund	6.21 %
Delaware Small Cap Core Fund	6.32 %
American Funds Europacific Growth Fund	12.92 %

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, 2022, 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 34.7% of the Florida PRIME's portfolio at September 30, 2022.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

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, 2022 was 21 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, 2022 was 72 days. Investments in Florida PRIME must carry an “AAAm” rating from *Standard and Poor’s*. On September 30, 2022, *Standard and Poor’s* ratings services assigned the Florida PRIME an “AAAm” principal stability funding rating.

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 and the Investment 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, 2022, 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, 2022**

NOTE 3 RECEIVABLES

Receivables as of September 30, 2022 for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental	Business-Type Activities			Total
	Activities	Water and		Solid	
	General	Sewer	Airport	Waste	
Utility and Franchise Taxes	\$ 185,133	\$ -	\$ -	\$ -	\$ 185,133
Code Enforcement	44,071	-	-	-	44,071
Customer Charges	-	1,452,116	95,709	167,135	1,714,960
Miscellaneous	19,405	-	-	-	19,405
Gross Receivables	248,609	1,452,116	95,709	167,135	1,963,569
Allowance for Doubtful Accounts	(16,682)	(635,720)	(7,998)	(117,983)	(778,383)
Total	\$ 231,927	\$ 816,396	\$ 87,711	\$ 49,152	\$ 1,185,186

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 404,202	\$ -	\$ -	\$ (1,000)	\$ 403,202
Total Capital Assets Not Being Depreciated	404,202	-	-	(1,000)	403,202
Capital Assets being Depreciated:					
Buildings	6,621,154	155,468	-	-	6,776,622
Equipment	3,793,846	132,564	-	-	3,926,410
Infrastructure	8,290,677	327,914	-	-	8,618,591
Total Capital Assets Being Depreciated	18,705,677	615,946	-	-	19,321,623
Less Accumulated Depreciation for:					
Buildings	(4,361,299)	(238,896)	-	-	(4,600,195)
Equipment	(3,127,778)	(160,723)	-	-	(3,288,501)
Infrastructure	(3,378,805)	(310,157)	-	-	(3,688,962)
Total Accumulated Depreciation	(10,867,882)	(709,776)	-	-	(11,577,658)
Total Capital Assets Being Depreciated, Net	7,837,795	(93,830)	-	-	7,743,965
Governmental Activities Capital Assets, Net	\$ 8,241,997	\$ (93,830)	\$ -	\$ (1,000)	\$ 8,147,167

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Beginning Balance *	Increases	Transfers	Decreases	Ending Balance
Business-Type Activities:					
Capital Assets not being Depreciated:					
Land	\$ 2,349,207	\$ -	\$ -	\$ -	\$ 2,349,207
Construction in Progress	73,026	436,240	-	-	509,266
Total Capital Assets Not Being Depreciated	2,422,233	436,240	-	-	2,858,473
Capital Assets being Depreciated and Amortized:					
Buildings and Systems	48,091,918	559,793	-	-	48,651,711
Equipment	8,246,026	757,640	-	-	9,003,666
Right-to-Use Leased Equipment	4,902	-	-	-	4,902
Total Capital Assets Being Depreciated and Amortized	56,342,846	1,317,433	-	-	57,660,279
Less Accumulated Depreciation and Amortization for:					
Buildings and Systems	(26,280,782)	(1,341,510)	-	-	(27,622,292)
Equipment	(5,291,048)	(645,879)	-	-	(5,936,927)
Right-to-Use Leased Equipment	-	(272)	-	-	(272)
Total Accumulated Depreciation and Amortization	(31,571,830)	(1,987,661)	-	-	(33,559,491)
Total Capital Assets Being Depreciated and Amortized, Net	24,771,016	(670,228)	-	-	24,100,788
Business-Type Activities Capital Assets, Net	<u>\$ 27,193,249</u>	<u>\$ (233,988)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,959,261</u>

* Beginning balances were restated due to implementation of GASB 87, *Leases*.

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

Governmental Activities:	
General Government	\$ 76,539
Public Safety	164,383
Transportation	311,719
Culture and Recreation	157,135
Total Depreciation	<u>\$ 709,776</u>
Business-Type Activities:	
Water and Sewer	\$ 1,112,172
Airport	622,562
Solid Waste	252,927
Total Depreciation and Amortization Expense	<u>\$ 1,987,661</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 5 COMMITMENTS

Construction Commitments

At September 30, 2022, the City had the following construction commitments:

Governmental Activities:	
Building Improvements	\$ 23,433
Road Improvements	27,077
Total	<u>\$ 50,510</u>
Business-Type Activities:	
Water & Sewer Fund:	
Water & Wastewater Improvements	<u>\$ 244,790</u>

NOTE 6 LONG-TERM LIABILITIES

The summary of changes in long-term liabilities for the fiscal year ended September 30, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Compensated Absences	\$ 237,746	\$ 184,702	\$ 172,954	\$ 249,495	\$ 212,100
Total Governmental Activities Long-Term Liabilities	<u>\$ 237,746</u>	<u>\$ 184,702</u>	<u>\$ 172,954</u>	<u>\$ 249,494</u>	<u>\$ 212,100</u>
Business-Type Activities:					
Compensated Absences	\$ 74,793	\$ 131,433	\$ 101,375	\$ 104,851	\$ 104,851
Direct Borrowing: Loans Payable	-	23,857	-	23,857	-
Leases	4,902	-	3,245	1,657	-
Total Business-Type Activities Long-Term Liabilities	<u>\$ 79,695</u>	<u>\$ 131,433</u>	<u>\$ 104,620</u>	<u>\$ 106,508</u>	<u>\$ 104,851</u>

For governmental activities, compensated absences are liquidated by the General Fund.

The annual requirements to amortize the debt outstanding at September 30, 2022 are as follows:

<u>Year Ending September 30,</u>	Business-Type Activities		
	Direct Borrowings		
	Principal	Interest	Total
2023	\$ -	\$ -	\$ -
2024	1,298	-	1,298
2025	1,298	-	1,298
2026	1,298	-	1,298
2027	1,298	-	1,298
2028 - 2032	6,488	-	6,488
2033 - 2037	6,488	-	6,488
2038 - 2042	5,689	-	5,689
Total	<u>\$ 23,857</u>	<u>\$ -</u>	<u>\$ 23,857</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Direct Borrowing – State Revolving Fund Loans

The City has a State Revolving Fund loan with a total balance of \$23,857 at 0% interest. Semi-annual principal payments of \$649 are due March 2024 through September 2042. The loan will be used for wastewater projects. The loan is secured by pledged revenue of the water and wastewater system. In event of default, the timing of repayment of outstanding balances may be accelerated, or the financing rate on the unpaid balance of the loan may be increased as much as 1.667 times the financing rate.

NOTE 7 OTHER POSTEMPLOYMENT 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.

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.

Employees Covered by Benefit Terms

At September 30, 2022, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	3
Active Plan Members	85
Total	<u>88</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The City's Total OPEB liability was measured as of September 30, 2022 and was determined by an actuarial valuation as of October 1, 2021. The following table shows the City's total OPEB liability for the year ended September 30, 2022.

	Total OPEB Liability
Balance - October 1, 2021	\$ 350,814
Changes for the Year:	
Service Cost	16,034
Interest	15,509
Changes in Assumptions	(197,144)
Differences Between Expected and Actual Experience	-
Benefit Payments	(25,834)
Net Changes	(191,435)
Balance - September 30, 2022	\$ 159,379

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	3.59 %	4.59 %	5.59 %
Total OPEB Liability	\$ 183,423	\$ 159,379	\$ 139,802

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	6.00 %	7.00 %	8.00 %
Total OPEB Liability	\$ 135,734	\$ 159,379	\$ 189,074

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended September 30, 2022, the City recognized OPEB expense of (\$7,853). At September 30, 2022, 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	\$ -	\$ 326,290

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:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ (39,125)
2024	(39,125)
2025	(39,125)
2026	(39,125)
2027	(36,366)
Thereafter	(133,424)

Actuarial Assumptions

The total OPEB liability in the October 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Healthcare Cost Trend Rates	Initial rate of 7.0% in October 1, 2022, then gradually decreasing to an ultimate trend rate of 4.5% in October 1, 2032, and later

The actuarial cost method used was the Entry Age Normal as a level Percentage of Payroll cost method. Mortality rates were based on the PUB-2010 mortality tables with mortality improvements using the MP-2021 Improvement Scale. The discount rate used to measure the total OPEB liability was 4.59%, based on the average of three 20-year bond indices.

Since the most recent valuation, the discount rate was changed from 2.29% as of the beginning of the measurement period to 4.59% as of September 30, 2022.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 officials and employment practices liability, automobile, crime, and workers' 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, 2022 were as follows:

Due to/from other funds:

<u>Receivable Fund</u>	Payable Fund:		
General Fund	General Fund	CDBG	Total
General Fund	\$ -	\$ 57,724	\$ 57,724
Airport	10,000	-	10,000
Total	\$ 10,000	\$ 57,724	\$ 67,724

Advance to/from other funds:

<u>Receivable Fund</u>	Payable Fund
General Fund	Airport Fund
Solid Waste Fund	\$ 198,473
Total	\$ 366,538
	\$ 565,011

The General Fund has an outstanding advance to the Airport Fund of \$198,473 at year-end. This advance was used 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 \$366,538 is a result of prior years' operating losses.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 10 TRANSFERS

Transfers during the year ended September 30, 2022 consisted of the following:

<u>Transfer Out</u>	<u>Transfer In:</u>		<u>Total</u>
	<u>General Fund</u>	<u>Solid Waste</u>	
Water and Sewer	\$ 1,200,000	\$ -	\$ 1,200,000
Airport	1,066	1,908	2,974
Total	<u>\$ 1,201,066</u>	<u>\$ 1,908</u>	<u>\$ 1,202,974</u>

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, 2022 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.

Community Redevelopment

The restriction for community redevelopment was created to restrict the use of resources deposited into the CRA Fund. State statutes require that the resources be restricted.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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.

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 the City Council.

Plan Membership – As of October 1, 2021, the members of the PORS consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	20
Inactive Plan Members Entitled to but not yet Receiving Benefits	9
Total	29

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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

General Information about the PORS (Continued)

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 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. Administrative costs for each plan are financed through investment earnings. The City's required contribution, for the year ended September 30, 2022 was \$126,701. Actual contributions for the year equaled \$126,701 or 100% of the required contributions.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2021, 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, 2020 updated to September 30, 2021 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50 %
Discount Rate	7.00 %
Investment Rate of Return	7.00 %

Assumed rates of mortality were based on the PubS.H-2010 Table.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Police Officers' Retirement System (PORS) (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, 2021 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	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 %
Total	<u>100.00 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7%. 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, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

Net Pension Liability (Continued)

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 - September 30, 2020	\$ 7,174,647	\$ 6,425,299	\$ 749,348
Changes for the Year:			
Service Cost	-	-	-
Interest	482,268	-	482,268
Change in Excess State Money	-	-	-
Share Plan Allocation	-	-	-
Differences Between Expected and Actual Experience	40,987	-	40,987
Changes of Assumptions	-	-	-
Contributions - Employer	-	111,697	(111,697)
Contributions - State	-	74,156	(74,156)
Contributions - Employee	-	-	-
Net Investment Income	-	1,252,284	(1,252,284)
Benefit Payments, Including Refunds of Employee Contributions	(571,310)	(571,271)	(39)
Administrative Expense	-	(56,048)	56,048
Net Changes	<u>(48,055)</u>	<u>810,818</u>	<u>(858,873)</u>
Balances - September 30, 2021	<u>\$ 7,126,592</u>	<u>\$ 7,236,117</u>	<u>\$ (109,525)</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 7%, 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%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate 7.00%	8.00%
City's Net Pension (Asset) Liability	\$ 821,227	\$ (109,525)	\$ (863,029)

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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Police Officers' Retirement System (PORS) (Continued)

Net Pension Liability (Continued)

Deferred Outflows and Inflows of Resources Related to PORS – For the year ended September 30, 2022, the City recognized a pension expense of \$1,764. On September 30, 2022, 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	\$ -	\$ (537,190)
City and State Contributions Subsequent to the Measurement Date	126,701	-
Total	<u>\$ 126,701</u>	<u>\$ (537,190)</u>

The deferred outflows of resources related to the PORS, totaling \$126,701 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, 2023. 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>
2023	\$ (99,709)
2024	(105,846)
2025	(167,115)
2024	(164,520)

Payables to PORS Pension Plan – At September 30, 2022, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2022.

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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters Retirement System (FFRS) (Continued)

General Information about the FFRS (Continued)

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 the City Council.

Plan Membership – As of October 1, 2020, the members of the FFRS consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	13
Inactive Plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	15
Total	30

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 15 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.

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, 2022 was \$379,550. Actual contributions for the year equaled \$376,343, or 99% of the required contributions.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined as of that date.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS) (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2020 updated to September 30, 2021 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	Service Based
Discount Rate	7.00%
Investment Rate of Return	7.00%

Assumed rates of mortality were based on the PubS.H-2010 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, 2021 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 %
Total	<u>100.00 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7%. 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, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS) (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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances - September 30, 2020	\$ 7,670,956	\$ 7,062,761	\$ 608,195
Changes for the Year:			
Service Cost	161,884	-	161,884
Interest	572,402	-	572,402
Change in Excess State Money	-	-	-
Share Plan Allocation	-	-	-
Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	138,687	-	138,687
Changes of Assumptions	463,275	-	463,275
Contributions - Employer	-	288,069	(288,069)
Contributions - State	-	41,848	(41,848)
Contributions - Employee	-	44,943	(44,943)
Net Investment Income	-	1,493,914	(1,493,914)
Benefit Payments, Including Refunds of Employee Contributions	(401,616)	(401,616)	-
Administrative Expense	-	(74,782)	74,782
Net Changes	<u>934,632</u>	<u>1,392,376</u>	<u>(457,744)</u>
Balances - September 30, 2021	<u>\$ 8,605,588</u>	<u>\$ 8,455,137</u>	<u>\$ 150,451</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%, 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%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
	City's Net Pension (Asset) Liability	\$ 1,213,005	\$ 150,451

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

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Firefighters' Retirement System (FFRS) (Continued)

Net Pension Liability (Continued)

Deferred Outflows and Inflows of Resources Related to FFRS – For the year ended September 30, 2022, the City recognized a pension expense of \$62,374. On September 30, 2022, 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	\$ 281,182	\$ (135,135)
Changes of Assumptions	405,363	(129,910)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(783,852)
City and State Contributions Subsequent to the Measurement Date	376,343	-
Total	<u>\$ 1,062,888</u>	<u>\$ (1,048,897)</u>

The deferred outflows of resources related to the FFRS, totaling \$376,343 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, 2023. 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>
2023	\$ (117,726)
2024	(103,152)
2025	(181,294)
2026	(149,886)
2027	43,717
Thereafter	145,989

Payables to FFRS Pension Plan – At September 30, 2022, the City reported no payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2022.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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' website www.dms.myflorida.com.

The City's pension expense for both plans totaled \$361,121 for the fiscal year ended September 30, 2022.

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, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

The following chart shows the percentage value for each year of service credit earned:

<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, 2021, were applied to employee salaries as follows: regular employees 9.1%, senior management 27.29%, and DROP participants 16.68%. The City’s contributions to the FRS Plan were \$174,788 for the year ended September 30, 2022.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Pension Costs – At September 30, 2022, the City reported a liability of \$1,404,430 for its proportionate share of the FRS Plan’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of FRS’s participating employers. At June 30, 2022, the City’s proportionate share was 0.003774534%, which was a decrease of 0.000761721% from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$265,658. 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	\$ 66,705	\$ -
Changes of Actuarial Assumptions	172,961	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	92,734	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	271,320	(83,140)
City Contributions Subsequent to the Measurement Date	48,434	-
Total	<u>\$ 652,154</u>	<u>\$ (83,140)</u>

The amount of \$48,434 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, 2023. 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>
2023	\$ 137,094
2024	82,111
2025	11,263
2026	258,475
2027	31,637
Thereafter	-

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40% Per Year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	6.70%

Mortality rates were based on the PUB2010 base table, varies by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return assumption of 6.70% consists of two building block components: 1) an inferred real (in excess of inflation) return of 4.20%, which is consistent with the 4.38% real return from the capital market outlook model developed by the FRS consulting actuary, Milliman; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2022 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary both components and the overall 6.70% return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.80% reported investment return assumption is the same as the investment return assumption chosen by the 2022 FRS Actuarial Assumption Conference for funding policy purposes.

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:

<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 %	2.6 %	2.6 %	1.1 %
Fixed Income	19.8	4.4	4.4	3.2
Global Equity	54.0	8.8	7.3	17.8
Real Estate (Property)	10.3	7.4	6.3	15.7
Private Equity	11.1	12.0	8.9	26.3
Strategic Investments	3.8	6.2	5.9	7.8
Totals	<u>100.0 %</u>			
Assumed Inflation - Mean			2.4 %	1.3 %

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.70% for the FRS Plan, a decrease of 0.01% from the prior year. 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	5.70%	6.70%	7.70%
City's Proportionate Share of the FRS Plan Net Pension Liability	\$ 2,428,865	\$ 1,404,430	\$ 547,880

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>.

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, 2022, 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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

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, 2022, 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 \$36,674 for the year ended September 30, 2022.

Pension Costs – At September 30, 2022, the City reported a liability of \$589,151 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. 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, 2021, through June 30, 2022, relative to the total employer contributions received from all participating employers. At June 30, 2022, the City’s proportion was 0.005562442%, which was an increase of 0.000815294% from its proportion measured as of June 30, 2021.

For the year ended September 30, 2022, the City recognized pension expense of \$95,463 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	\$ 17,882	\$ (2,592)
Changes in Actuarial Assumptions	33,771	(91,141)
Net Difference Between Projected and		
Actual Earnings on HIS Program Investments	853	-
Changes in Proportion and Differences Between		
City Contributions and Proportionate Share		
of Contributions	157,781	-
City Contributions Subsequent to the		
Measurement Date	10,322	-
Total	<u>\$ 220,609</u>	<u>\$ (93,734)</u>

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

The \$10,322 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 ending September 30, 2023. 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>
2023	\$ 34,417
2024	31,989
2025	27,566
2026	18,725
2027	3,752
Thereafter	105

Actuarial Assumptions – The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40% Per Year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.54%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018. The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate – The discount rate used to measure the total pension liability was 3.54% in the current year and 2.16% in the prior year 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 FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

HIS Plan (Continued)

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 1 percentage point lower or 1-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	2.54%	3.54%	4.54%
City's Proportionate Share of the HIS Plan Net Pension Liability	\$ 674,038	\$ 589,151	\$ 518,910

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.

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.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Investment Plan (Continued)

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, 2022, 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 \$125,839 for the year ended September 30, 2022. Employee contributions to the Investment Plan totaled \$34,306 for the year ended September 30, 2022.

Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

Description	Police Officers'	Firefighters'	FRS	HIS	Total
Net Pension Asset	\$ 109,525	\$ -	\$ -	\$ -	\$ 109,525
Net Pension Liability	-	150,451	1,404,430	589,151	2,144,032
Deferred Outflows of Resources	126,701	1,062,888	652,154	220,609	2,062,352
Deferred Inflows of Resources	537,190	1,048,897	83,140	93,734	1,762,961
Pension Expense	1,764	62,374	265,658	95,463	425,259

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 contribution to the City Manager's plan is equivalent to the FRS method of contribution and vesting for senior management, per the employment agreement. At September 30, 2022, FRS senior management has a contribution rate of 29.85%. 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, 2022 for eligible employees participating in the plan was approximately 302,973. The City's total payroll for all employees was \$3,657,683.

As of September 30, 2022, the City's contributions to the plan were \$47,433 on behalf of the five employees participating during the fiscal year.

NOTE 13 DEFICITS

The CDBG Fund has an unrestricted fund balance deficit of \$120,115 as of September 30, 2022. This deficit is primarily due to the CDBG's grant reimbursements not being received within the period of availability for revenue recognition.

The Airport Fund has an unrestricted net position deficit of \$247,006 as of September 30, 2022. This deficit is primarily due to the Airport's operating expenses exceeding operating revenues.

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 14 LEASES

Lessee Arrangements

The City leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2023.

The future minimum lease payments under lease agreements are as follows:

	Business-Type Activities	
	Principal	Interest
2023	\$ 1,657	\$ 29

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

Equipment	\$ 4,902
Less: Accumulated Amortization	(272)
Total	\$ 4,630

Lessor Arrangements

The City, acting as lessor, leases commercial space, airport hangers, and cell towers through long-term, noncancelable lease agreements. The leases expire at various dates and provide for renewal options. During the year ended September 30, 2022, the City recognized \$46,483 in lease revenue and \$61,413 in interest revenue, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending September 30,	Governmental Activities		Business Activities		Total
	Principal	Interest	Principal	Interest	
2023	\$ 37,264	\$ 15,632	\$ 18,591	\$ 50,699	\$ 122,186
2024	40,319	14,693	28,748	50,172	133,932
2025	43,534	13,678	29,622	49,298	136,132
2026	46,917	12,583	53,164	48,256	160,920
2027	50,477	11,403	77,763	46,157	185,800
2028-2032	312,489	36,067	392,635	194,495	935,686
2033-2037	129,077	2,787	452,499	134,167	718,530
2038-2042	-	-	542,417	58,583	601,000
2042-2047	-	-	98,002	1,632	99,634
Total Minimum Lease Payments	\$ 660,077	\$ 106,843	\$ 1,693,441	\$ 439,077	\$ 2,899,438

**CITY OF AVON PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 15 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.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL
OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS**

	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Total OPEB Liability					
Service Cost	\$ 16,034	\$ 26,719	\$ 25,962	\$ 35,007	\$ 36,591
Interest	15,509	7,449	10,718	18,092	15,088
Changes of Assumptions	(197,144)	(1,477)	(172,002)	(23,299)	(24,837)
Benefit Payments	<u>(25,834)</u>	<u>(14,348)</u>	<u>(12,876)</u>	<u>(22,155)</u>	<u>(20,372)</u>
Net Change in Total OPEB Liability	(191,435)	18,343	(148,198)	7,645	6,470
Total OPEB Liability - Beginning of Year	<u>350,814</u>	<u>332,471</u>	<u>480,669</u>	<u>473,024</u>	<u>466,554</u>
Total OPEB Liability - End of Year	<u><u>\$ 159,379</u></u>	<u><u>\$ 350,814</u></u>	<u><u>\$ 332,471</u></u>	<u><u>\$ 480,669</u></u>	<u><u>\$ 473,024</u></u>
Covered Employee Payroll	\$ 3,793,238	\$ 2,285,734	\$ 2,285,734	\$ 2,395,122	\$ 2,259,549
Total OPEB Liability as a Percentage of the Covered Employee Payroll	4.20 %	15.35 %	14.55 %	20.07 %	20.93 %

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

Notes to Schedule:

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

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:

<u>Fiscal Year</u>	<u>Discount Rate</u>
2022	4.59 %
2021	2.29 %
2020	2.26 %
2019	4.18 %
2018	3.64 %
2017	3.06 %

CITY OF AVON PARK, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' RETIREMENT SYSTEM
LAST TEN MEASUREMENT PERIODS

Measurement Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability:								
Service Cost	\$ -	\$ -	\$ 25,398	\$ 21,881	\$ 43,637	\$ 43,485	\$ 34,314	\$ 37,818
Interest	482,268	471,760	475,203	478,398	473,710	457,532	464,239	448,862
Change in Excess State Money	-	(49,075)	49,075	-	-	44,955	-	-
Share Plan Allocation	-	102,480	-	28,839	23,267	(44,955)	-	-
Difference Between Expected and Actual Experience	40,987	160,751	(8,139)	(121,947)	(107,123)	(156,072)	(302,143)	-
Change of Assumptions	-	(77,922)	386,122	349,415	-	138,973	-	-
Benefit Payments, Including Refunds of Employee Contributions	(571,310)	(443,687)	(455,925)	(352,143)	(354,136)	(299,468)	(279,363)	(302,555)
NET CHANGE IN TOTAL PENSIONS LIABILITY	(48,055)	164,307	471,734	404,443	79,355	184,450	(82,953)	184,125
Total Pension Liability - Beginning of Year	7,174,647	7,010,340	6,538,606	6,134,163	6,054,808	5,870,358	5,953,311	5,769,186
TOTAL PENSION LIABILITY - END OF YEAR	\$ 7,126,592	\$ 7,174,647	\$ 7,010,340	\$ 6,538,606	\$ 6,134,163	\$ 6,054,808	\$ 5,870,358	\$ 5,953,311
Plan Fiduciary Net Position								
Contributions - Employer	\$ 111,697	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 88,490	\$ 130,000
Contributions - State of Florida	74,156	75,222	67,245	63,092	58,391	55,147	54,943	51,390
Contributions - Employee	-	-	1,441	4,159	7,358	9,075	7,634	8,173
Net Investment Income	1,252,284	445,999	177,282	478,081	722,846	373,165	(71,456)	565,325
Benefit Payments and Refunds	(571,271)	(443,687)	(455,925)	(352,143)	(354,136)	(299,468)	(279,363)	(302,555)
Administrative Expenses	(56,048)	(51,577)	(63,413)	(50,669)	(54,683)	(35,897)	(39,185)	(71,749)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	810,818	25,957	(273,370)	142,520	379,776	127,022	(238,937)	380,584
Plan Fiduciary Net Position - Beginning of Year	6,425,299	6,399,342	6,672,712	6,530,192	6,150,416	6,023,394	6,262,331	5,881,747
PLAN FIDUCIARY NET POSITION - END OF YEAR	\$ 7,236,117	\$ 6,425,299	\$ 6,399,342	\$ 6,672,712	\$ 6,530,192	\$ 6,150,416	\$ 6,023,394	\$ 6,262,331
Net Pension (Asset) Liability	\$ (109,525)	\$ 749,348	\$ 610,998	\$ (134,106)	\$ (396,029)	\$ (95,608)	\$ (153,036)	\$ (309,020)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.54 %	89.56 %	91.28 %	102.05 %	106.46 %	101.58 %	102.61 %	105.19 %
Covered Payroll	N/A	N/A	\$ 29,846	\$ 83,181	\$ 148,690	\$ 181,491	\$ 152,797	\$ 157,429
Net Pension Liability as a Percentage of the Covered Payroll	N/A	N/A	2047.17 %	(161.22)%	(266.35)%	(52.68)%	(100.16)%	(196.29)%

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

CITY OF AVON PARK, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' RETIREMENT SYSTEM (CONTINUED)
LAST TEN MEASUREMENT PERIODS

Notes to Schedule:

Change of Benefit Terms:

For measurement date September 30, 2016, Ordinance 03-16 was adopted which made the following changes:

- For members hired after April 27, 2014, a benefit accrual rate was lowered from 3.0% to 2.0% of the Average Final Compensation for each year of credited service.
- For members hired after April 27, 2014, the benefit of normal retirement after the completion of 20 years of credited services was changed to the completion of 25 years of credited service, regardless of age.

Changes of Assumptions:

For measurement date September 30, 2020, as mandated by Chapter 2015-157, *Laws of Florida*, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation report for special risk employees, with appropriate risk and collar adjustments made based on plan demographics.

For measurement date September 30, 2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.5% to 7.0% per year compounded annually, net of investment related expenses.

For measurement date September 30, 2018, 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 September 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.

CITY OF AVON PARK, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT SYSTEM
LAST TEN MEASUREMENT PERIODS

Measurement Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability								
Service Cost	\$ 161,884	\$ 143,225	\$ 142,833	\$ 139,148	\$ 108,643	\$ 143,226	\$ 153,105	\$ 146,250
Interest	572,402	551,494	546,035	536,361	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	-	-	-
Change in Benefit Terms	-	-	12,271	-	-	-	-	-
Difference Between Expected and Actual Experience	138,687	127,858	(216,212)	191,813	(184,278)	(60,536)	(104,097)	-
Change of Assumptions	463,275	(163,864)	-	(21,036)	-	206,276	-	-
Benefit Payments, Including Refunds of Employee Contributions	(401,616)	(395,581)	(404,929)	(600,203)	(360,884)	(249,242)	(213,139)	(203,603)
NET CHANGE IN TOTAL PENSIONS LIABILITY	934,632	263,132	79,998	246,083	58,107	543,503	316,149	397,404
Total Pension Liability - Beginning of Year	7,670,956	7,407,824	7,327,826	7,081,743	7,023,636	6,480,133	6,163,984	5,766,580
TOTAL PENSION LIABILITY - END OF YEAR	\$ 8,605,588	\$ 7,670,956	\$ 7,407,824	\$ 7,327,826	\$ 7,081,743	\$ 7,023,636	\$ 6,480,133	\$ 6,163,984
Plan Fiduciary Net Position								
Contributions - Employer	\$ 288,069	\$ 345,025	\$ 445,654	\$ 330,429	\$ 363,321	\$ 330,229	\$ 412,081	\$ 342,083
Contributions - State of Florida	41,848	39,085	38,071	39,835	49,927	43,087	41,577	46,301
Contributions - Employee	44,943	39,090	32,362	31,510	32,690	29,590	33,093	33,750
Net Investment Income	1,493,914	640,648	215,579	529,834	634,997	327,419	(36,226)	439,120
Benefit Payments and Refunds	(401,616)	(395,581)	(404,929)	(600,203)	(360,882)	(249,242)	(213,139)	(203,603)
Administrative Expenses	(74,782)	(71,437)	(78,852)	(66,011)	(54,265)	(57,291)	(66,097)	(53,989)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,392,376	596,830	247,885	265,394	665,788	423,792	171,289	603,662
Plan Fiduciary Net Position - Beginning of Year	7,062,761	6,465,931	6,218,046	5,952,652	5,286,864	4,863,072	4,691,783	4,088,121
PLAN FIDUCIARY NET POSITION - END OF YEAR	\$ 8,455,137	\$ 7,062,761	\$ 6,465,931	\$ 6,218,046	\$ 5,952,652	\$ 5,286,864	\$ 4,863,072	\$ 4,691,783
Net Pension (Asset) Liability	\$ 150,451	\$ 608,195	\$ 941,893	\$ 1,109,780	\$ 1,129,091	\$ 1,736,772	\$ 1,617,061	\$ 1,472,201
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.25 %	92.07 %	87.29 %	84.86 %	84.06 %	75.27 %	75.05 %	76.12 %
Covered Payroll	\$ 898,859	\$ 781,814	\$ 647,238	\$ 630,200	\$ 653,809	\$ 591,797	\$ 667,541	\$ 677,155
Net Pension Liability as a Percentage of the Covered Payroll	16.74 %	77.79 %	145.52 %	176.10 %	172.69 %	293.47 %	242.24 %	217.41 %

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

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT SYSTEM (CONTINUED)
LAST TEN MEASUREMENT PERIODS**

Notes to Schedule:

Change of Benefit Terms:

For measurement date September 30, 2019, the benefit accrual rate has been increased from 2.00% to 3.16% per year for each year of credited service for all members hired after October 31, 2013.

For measurement date September 30, 2019, Chapter 2019-21, Laws of Florida was signed into effect grants certain disability benefits to firefighters participating in an employer-sponsored retirement plan. Effective July 1, 2019, "the retirement plan must consider the firefighter totally and permanently disabled due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer."

Changes of Assumptions:

For the measurement date September 30, 2021, the investment rate of return was lowered from 7.5% to 7.0% per year, net of investment related expenses.

For measurement date September 30, 2020, as mandated by Chapter 2015-157, *Laws of Florida*, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation for special risk employees.

For measurement date September 30, 2018, the amounts reported as changes to assumptions reflected the results October 19, 2018 experience study and included changes to the assumed salary increase rates, withdrawal rates, of the early and normal retirement rates and included a reduction in the assumed investment rate of return from 7.75% to 7.50%.

For measurement date September 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 FRS.

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.

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF CITY CONTRIBUTIONS
POLICE OFFICERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

Year Ended September 30,	Actuarially Determined Contribution	Contributions In Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 126,701	\$ 126,701	\$ -	N/A	N/A
2021	122,172	185,853	63,681	N/A	N/A
2020	21,817	21,817	-	N/A	N/A
2019	18,170	18,170	-	29,846	60.88 %
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, 2022 contributions, the valuation date was as of October 1, 2020.

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

Amortization method - new UAAL amortization bases.

Remaining amortization period - 15 years as of the October 1, 2020 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.

Payroll growth - None.

Salary increases - N/A Closed Plan with no remaining active participants

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

Investment rate of return - 7.0% per year compounded annually, net of investment related expenses.

Retirement age - N/A Closed Plan with no remaining active participants

Termination rates - N/A Closed Plan with no remaining active participants

Disability rates - N/A Closed Plan with no remaining active participants

Mortality - No active lives: Closed Plan with no remaining active participants. Retiree lives are PubS.H-2010 (set forward one year). Beneficiary lives are PubG.H-2010 except male set back one year. Disabled lives are 80% PubG.H-2010 / 20% PubS.H-2010.

CITY OF AVON PARK, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
FLORIDA RETIREMENT SYSTEM PENSION PLAN ¹
LAST TEN MEASUREMENT PERIODS

	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.003774534%	0.003012812%	0.000034226%	0.002991289%	0.002506030%	0.002295989%	0.002149501%	0.001058703%
City's Proportionate Share of the Net Pension Liability	\$ 1,404,430	\$ 227,584	\$ 1,483,402	\$ 1,030,158	\$ 754,829	\$ 679,138	\$ 542,751	\$ 136,746
City's Covered Payroll	\$ 2,027,129	\$ 1,687,920	\$ 1,649,220	\$ 1,397,628	\$ 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	69.28 %	13.48 %	89.95%	92.71 %	60.69 %	66.04 %	58.50 %	37.93 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.89 %	96.40 %	78.85 %	82.61 %	84.26 %	83.89 %	84.88 %	92.00 %

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

¹ 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
SCHEDULE OF THE CITY'S CONTRIBUTIONS –
FLORIDA RETIREMENT SYSTEM PENSION PLAN ¹
LAST TEN FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 174,788	\$ 118,618	\$ 103,695	\$ 111,507	\$ 74,795	\$ 61,407	\$ 58,491	\$ 34,552
Contributions in Relation to the Contractually Required Contribution	<u>(174,788)</u>	<u>(118,618)</u>	<u>(103,695)</u>	<u>(111,507)</u>	<u>(74,795)</u>	<u>(61,407)</u>	<u>(58,491)</u>	<u>(34,552)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 2,208,753	\$ 1,669,166	\$ 1,641,970	\$ 1,469,769	\$ 1,311,165	\$ 1,062,216	\$ 1,013,067	\$ 518,601
Contributions as a Percentage of Covered Payroll	7.910 %	7.11 %	6.32 %	7.59 %	5.70 %	5.78 %	5.77 %	6.66 %

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

¹ 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
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
HEALTH INSURANCE SUBSIDY PENSION PLAN ¹
LAST TEN MEASUREMENT PERIODS

	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.005562442 %	0.004747100 %	0.004735876 %	0.004172300 %	0.003808200 %	0.003207676 %	0.003005484 %	0.001178455 %
City's Proportionate Share of the Net Pension Liability	\$ 589,151	\$ 589,151	\$ 578,243	\$ 466,839	\$ 403,064	\$ 342,980	\$ 350,277	\$ 120,184
City's Covered Payroll	\$ 2,027,129	\$ 1,687,920	\$ 1,649,220	\$ 1,397,628	\$ 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	29.06 %	34.90 %	35.06 %	33.40 %	32.41 %	33.35 %	37.75 %	33.34 %
Total Pension Liability	4.810 %	3.56 %	3.00 %	2.63 %	2.15 %	1.64 %	0.97 %	0.50 %

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

¹ 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
SCHEDULE OF THE CITY'S CONTRIBUTIONS –
HEALTH INSURANCE SUBSIDY PENSION PLAN ¹
LAST TEN FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 36,674	\$ 27,685	\$ 27,262	\$ 24,402	\$ 21,771	\$ 17,531	\$ 16,820	\$ 7,312
Contributions in Relation to the Contractually Required Contribution	(36,674)	(27,685)	(27,262)	(24,402)	(21,771)	(17,531)	(16,820)	(7,312)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 2,208,753	\$ 1,669,166	\$ 1,641,970	\$ 1,469,769	\$ 1,311,165	\$ 1,062,216	\$ 1,013,067	\$ 518,601
Contributions as a Percentage of Covered Payroll	1.66 %	1.66 %	1.66 %	1.66 %	1.66 %	1.65 %	1.66 %	1.41 %

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

¹ 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.

SUPPLEMENTARY INFORMATION

**CITY OF AVON PARK, FLORIDA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES – CRA FUNDS
 YEAR ENDED SEPTEMBER 30, 2022**

	<u>Community Redevelopment Agency - Main Street Fund</u>	<u>Community Redevelopment Agency - South Side Fund</u>	<u>Community Redevelopment Agency - Airport Fund</u>	<u>Total CRA Funds</u>
REVENUES				
Tax Increment Revenues:				
Highlands County	\$ 250,431	\$ 98,113	\$ 20,304	\$ 368,848
Total Revenues	<u>250,431</u>	<u>98,113</u>	<u>20,304</u>	<u>368,848</u>
EXPENDITURES				
Current:				
Economic Environment:				
Professional Services	4,094	4,094	850	9,038
Other Expenditures	141	208	140	489
Grants and Subsidies	<u>129,550</u>	<u>62,552</u>	<u>-</u>	<u>192,102</u>
Total Expenditures	<u>133,785</u>	<u>66,854</u>	<u>990</u>	<u>201,629</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	116,646	31,259	19,314	167,219
Fund Balances - Beginning of Year	<u>771,700</u>	<u>214,047</u>	<u>169,094</u>	<u>1,154,841</u>
FUND BALANCE - END OF YEAR	<u>\$ 888,346</u>	<u>\$ 245,306</u>	<u>\$ 188,408</u>	<u>\$ 1,322,060</u>

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CDBG FUND
YEAR ENDED SEPTEMBER 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ -	\$ 734,950	\$ 301,931	\$ (433,019)
EXPENDITURES				
Economic Environment	-	129,451	30,433	99,018
Capital Outlay	-	615,500	333,656	281,844
Total Expenditures	<u>-</u>	<u>129,451</u>	<u>364,089</u>	<u>99,018</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	605,499	(62,158)	(667,657)
Fund Balance (Deficit) - Beginning of Year	<u>-</u>	<u>-</u>	<u>(57,957)</u>	<u>(57,957)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ 605,499</u>	<u>\$ (120,115)</u>	<u>\$ (725,614)</u>

**CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2022**

ASSETS	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>	<u>Total Pension Trust Funds</u>
Cash and Cash Equivalents	\$ 122,981	\$ 446,707	\$ 569,688
Receivables:			
Accrued Income	<u>2,105</u>	<u>14,383</u>	<u>16,488</u>
Total Receivables	2,105	14,383	16,488
Prepaid Benefit Payments	40,228	33,834	74,062
Investments, at Fair Market Value:			
Multi-Sector Fixed Income Mutual Funds	-	299,701	299,701
Fixed Income Mutual Funds	1,622,921	-	1,622,921
U.S. Government and Agencies	-	877,274	877,274
Corporate and Foreign Bonds	-	488,932	488,932
Equity Securities and Mutual Funds	3,264,996	4,075,423	7,340,419
Real Estate Investment Fund	<u>660,035</u>	<u>840,792</u>	<u>1,500,827</u>
Total Investments	<u>5,547,952</u>	<u>6,582,122</u>	<u>12,130,074</u>
Total Assets	5,713,266	7,077,046	12,790,312
LIABILITIES			
Accounts Payable	6,430	15,950	22,380
Due to Broker	<u>3,754</u>	<u>-</u>	<u>3,754</u>
Total Liabilities	<u>10,184</u>	<u>15,950</u>	<u>26,134</u>
Net Position Restricted for Pensions	<u>\$ 5,703,082</u>	<u>\$ 7,061,096</u>	<u>\$ 12,764,178</u>

**CITY OF AVON PARK, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2022**

	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions:			
City	\$ 126,701	\$ 333,925	\$ 460,626
Plan Members	-	52,624	52,624
State of Florida	-	42,417	42,417
Total Contributions	<u>126,701</u>	<u>428,966</u>	<u>555,667</u>
Investment Income (Loss)	(1,093,448)	(1,304,200)	(2,397,648)
Less Investment Expenses:			
Investment Management Fees	10,743	13,516	24,259
Custodial Fees	3,495	4,084	7,579
Performance Evaluation Fees	17,000	17,000	34,000
Total Investment Expenses	<u>31,238</u>	<u>34,600</u>	<u>65,838</u>
Net Investment Income (Loss)	<u>(1,124,686)</u>	<u>(1,338,800)</u>	<u>(2,463,486)</u>
Total Additions	(997,985)	(909,834)	(1,907,819)
DEDUCTIONS			
Administrative Expenses	57,869	81,258	139,127
Payments to Retirees and Participants	477,181	402,951	880,132
Total Deductions	<u>535,050</u>	<u>484,209</u>	<u>1,019,259</u>
NET CHANGE IN NET POSITION	(1,533,035)	(1,394,043)	(2,927,078)
Net Position Restricted for Pensions - Beginning of Year	<u>7,236,117</u>	<u>8,455,139</u>	<u>15,691,256</u>
NET POSITION RESTRICTED FOR PENSIONS - END OF YEAR	<u><u>\$ 5,703,082</u></u>	<u><u>\$ 7,061,096</u></u>	<u><u>\$ 12,764,178</u></u>



**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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2023. Our report includes a reference to other auditors who audited the financial statements of the Firefighters' Pension Trust fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Police Officers' pension trust fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Police Officers' pension trust fund.

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) as a basis for designing 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.

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

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 were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as items 2022-001, that we considered to be material weaknesses.

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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
June 22, 2023



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, 2022, and have issued our report thereon dated June 22, 2023.

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, 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 Financial Statements Performed in Accordance with *Government Auditing Standards*, 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 June 22, 2023, 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.

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.b. 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.c, 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. As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Community Redevelopment Agency of the City of Avon Park reported their required information in their audit report.

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. In connection with our audit, we did not note any such findings.

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, the 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
June 22, 2023

**CITY OF AVON PARK, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2022**

2022-001 – Audit Adjustments

Type of Finding: Material Weakness in Internal Control

Condition: As part of our audit, we proposed an adjustment to correct the Water and Sewer Fund's allowance for uncollectible accounts and revenue.

Criteria: The City's management is responsible for establishing and maintaining internal controls to ensure that transactions are properly reported in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Context: Testing of Water and Sewer Fund allowance for uncollectible accounts detected the error.

Cause: The journal entry to adjust the allowance for uncollectible accounts was posted incorrectly, and review of the journal entry and trial balance did not detect the error.

Effect: Before the correction, net accounts receivable and revenue were understated by \$117,982.

Recommendation: The City should implement additional review procedures to ensure that subsidiary ledgers agree to the trial balance after journal entries are posted.

Views of responsible officials and planned corrective actions: The City will implement additional review procedures to ensure that the subsidiary ledgers agree to the trial balance after journal entries are posted.



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 (the City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2022. 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2022.

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
June 22, 2023



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 (the City) compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2022 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended September 30, 2022. 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; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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 the specified requirements referenced above during the year ended September 30, 2022.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the City's compliance with the specified requirements and any other instances that warrant the

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

attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the City complied, in all material respects with the specified requirements referenced above during the year ended September 30, 2022. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sebring, Florida
June 22, 2023