



City of Tavares, FL

**Comprehensive Annual
Financial Report
for the year ending
September 30, 2009**



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City of Tavares, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2009

Prepared by: Finance Department

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INTRODUCTORY SECTION

City of Tavares, Florida

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2009

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May 20, 2010

To the Honorable Mayor and City Council and Citizens of the City of Tavares, Florida:

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and that they be audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, it is with great pleasure that we present to you the City of Tavares, Florida Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2009.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

McDermitt Davis & Company, LLC, a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on the City of Tavares's financial statements for the year ended September 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, incorporated in 1880, is located in south Lake County. The City currently has a land area of 9.61 square miles and serves a population of approximately 13,000. The City is located in the center of a county that contains more than 1,000 lakes within a 1,156 square mile border. It is one of the few places within Florida that contains rolling hills making it a natural challenge for those who enjoy golfing, hiking or bicycling. Location is another key element that makes Tavares so unique. Not only is it the County Seat, housing three courthouses, a criminal justice complex and jail, but also it is in close proximity to many diverse activities. At the northern most tip of the county, the Ocala National Forest covers the land with thick, luscious forestry. At the southern border, one is only a short 16 miles from all the major central Florida attractions including Disney theme parks, Universal Studios, and Sea World. Further, it is within a one hour drive to either the Gulf of Mexico beaches to the west, or the Atlantic Coast beaches to the east. The City of Tavares is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City operates according to a Council/Administrator form of government, whereby the registered voters of the City of Tavares elect the city council who in turn select a Mayor from the elected Council to serve as Mayor. The Mayor chairs all meetings of the Council, and represents the City and the Council. The Council appoints the City Administrator who in turn appoints the department heads of the various departments. Council members are elected at large and serve for two year terms.

The City provides a full range of municipal services as directed by the City Charter, including general government, public safety, public improvements, community development, community services, parks, recreation, and library. The City also operates and maintains water, wastewater treatment, stormwater and sanitation utilities and services.

The annual budget serves as the foundation for the City of Tavares's financial planning and control. All departments of the City of Tavares are required to submit requests for appropriations to the City Administrator. The City Administrator then uses these requests as the starting point for developing a proposed budget. The City Administrator then presents this proposed budget to the council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th, the close of the City of Tavares's fiscal year. The appropriated budget is prepared by fund (e.g., general fund), and department (e.g., fire department).

Local economy

The City of Tavares is primarily a retail, office, county government, judicial and residential area with a small amount of light industry and commercial business. The City is also home to Lake County's Administrative Government Center including the Judicial Center, Sheriff's Offices, and various support facilities. In addition, medical support offices are a continued business sector for Tavares, as one of only two major hospitals in the area is located within the corporate limits of the City. The City's total assessed valuation for real and personal property decreased 8% from the prior year. The decrease in valuation was primarily due to changes in property tax provisions such as portability of accrued savings from homestead exemptions and the increase of homestead exemptions for homeowners. A millage rate increase to offset the impact of changes in taxable assessments provided an increased tax levy of \$507,969 over the prior year.

The unemployment rate for the local economy decreased by 5% or decreased to 11.8% from 12.3%. The local unemployment rate remains greater than the state average (10.9%) and the national average (9.6%). Although increases in occupational licenses issued were not significantly higher than the prior year, new license applications levels remained constant for the year ended September 30, 2009 indicating a constant level of growth in the creation of new businesses. The City is optimistic that the city will experience a significant increase in new businesses due to the opening of the City seaplane base at the downtown waterfront. In addition the city is dedicated implementing initiatives to attract new business to the downtown core as well as throughout the city.

The number of building permits issued for new construction decreased from the prior year (30%). Although the number of issued permits had decreased significantly, new construction continues, indicating a continued and steady growth to economic recovery for the City as the City works with builders, developers and residents for both commercial and residential development. The near constant growth level in past years has allowed the City to limit the need for a significant increase in the city's millage rate despite legislative changes at the state level which have impacted assessed values. The City's

millage rate was set at 6.25 mills during fiscal year 2009 (tax year 2008).

Long-term financial planning

Unreserved, undesignated fund balance in the general fund of 15.4 percent of total general fund expenditures is within the policy guidelines set by the Council for budgetary and planning purposes (i.e., between 10 and 20 percent of total general fund revenues). The City Council does not envision raising the current fund balance reserve requirement

The Council will review the City's five year capital plan (CIP) during the budget planning process to determine the best use of reserve resources as it relates to financing initiatives. In addition the City will seek various grants and low interest government loans to fund major projects that are identified within the CIP that will enhance economic development within the City.

Major initiatives

The City conducted a series of Downtown visioning workshops to establish a unified vision for the future of Tavares. A Master Plan was developed that is action oriented and project specific to achieve a new vision for the City's downtown and Community Redevelopment Area. Many initiatives have been formulated as a result of this endeavor such as a comprehensive downtown master plan that will address land development codes, City gateways, capital improvement needs, as well as streetscape enhancements.

The City is in the process of completing its seaplane base and marina at the downtown Wootton Park waterfront. In addition to air transportation, the project includes a commuter rail platform, water taxis, marina, aviation and marina fueling station, and retail store. The various transportation components of the project support the city's vision for a multi-modal transportation system which will stimulate downtown revitalization efforts. The project is funded through grants and bank loan financing.

In addition, the city's Economic Development and Grant Writing Department has developed an economic development strategic plan which includes a medical village, rail village, judicial complex, county government complex, and commerce park. As part of the City's multi-modal transportation vision, the department secured a direct federal grant for railroad upgrades to support the city's commuter freight and rail initiative.

Ongoing initiatives to stimulate downtown revitalization include a campaign to showcase Tavares as the premiere waterfront Central Florida Capital City for special events. The natural historical waterfront district provides an ideal setting for various water oriented community events; some events that the City has been successful in securing for the downtown waterfront district as part of the ongoing economic plan include the Regional and National Crappie Fishing Tournament, Central Florida Dragon Boat Festival, Sunnyland Antique Classic Boat Festival, Planes-Trains-Barbeque, and the Classic Boat Regatta. These events are anticipated to bring thousands of new visitors to Tavares each year.

The city unveiled a new brand to showcase its vision for seaplane activity in the downtown core by becoming "America's Seaplane City". In addition to a new brand identifier with a fresh new logo, the city will also embark on brand immersion which includes a new webpage and new city gateway and way finding project. The gateway project will help set the Tavares brand which is envisioned to further fuel economic development in the downtown waterfront district, medical village and rail village. As a multi-year project funding sources may include infrastructure sales tax and various grants and low interest loans.

The City has begun construction for upgrades to four city water treatment plants and storage facility. The upgrades will provide added capacity as well as allow the city to meet state clean water initiatives. Additional projects planned include the design and construction of a water reuse facility throughout the city as well as rehabilitation of the downtown water and sewer infrastructure. The city was able to secure state and federal grant funding for the water treatment plant upgrades; State Revolving Loan Funds will provide funding for the reuse facility. The city is currently pursuing Rural Water USDA funding for the major infrastructure improvements in the downtown CRA district.

The City also developed a master plan for city parks with a major focus toward the development of a community sports park that could meet current and future demand for recreational park facilities. The City has begun preliminary design of this project and has identified the Woodlea Sports Complex for the first phase of implementation.

Awards and Acknowledgements

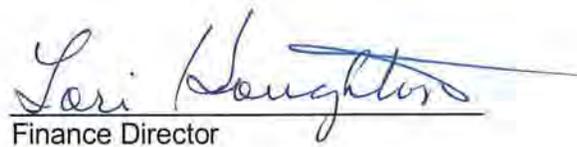
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tavares for its comprehensive annual financial report for the fiscal year ended September 30, 2008. This was the twentieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the staffs in the City Administrator's office, Planning Department and Administrative Services Department. We would like to express our appreciation to all members of these departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Tavares's finances.

Respectfully submitted,


City Administrator


Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tavares
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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



A stylized, handwritten signature in black ink, appearing to be "J.R. Emer".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director

CITY OF TAVARES, FLORIDA

LIST OF PRINCIPAL OFFICIALS

Year Ended September 30, 2009

MAYOR

Nancy Clutts

CITY COUNCIL

Robert Wolfe, Vice Mayor

Bob Grenier

Lori Pfister

Norb Thomas

CITY ADMINISTRATOR

John Drury

CITY CLERK

Nancy Barnett

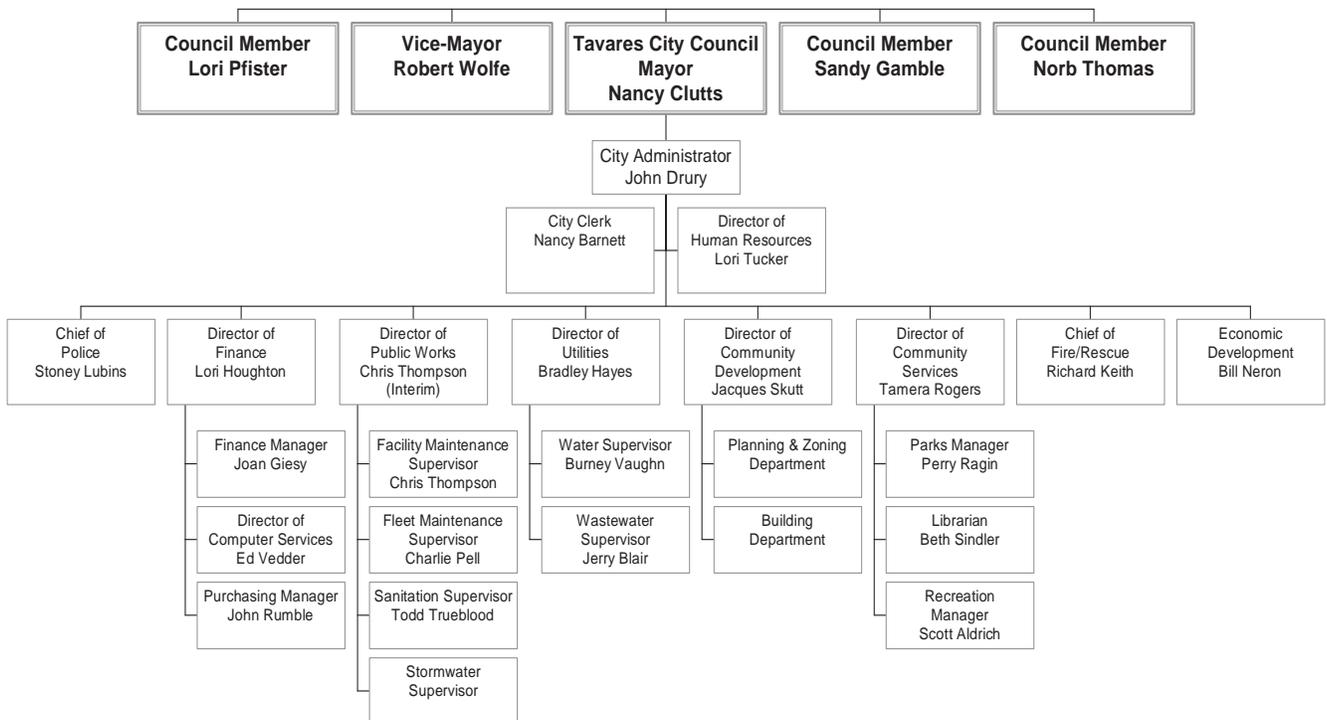
CITY ATTORNEY

Robert Q. Williams

FINANCE DIRECTOR

Lori Houghton

City of Tavares Organizational Chart





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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Tavares, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Tavares, Florida*, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

In accordance with *Government Auditing Standards*, we have also issued a report dated May 20, 2010 on our consideration of the *City of Tavares, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis starting on page 3 and pension and other postemployment benefits disclosures on pages 69 to 71 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tavares, Florida financial statements as a whole. The introductory section, combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

McDiernit Davis & Company, LLC

May 20, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Tavares, Florida we offer readers of the City of Tavares's financial statements this narrative overview and analysis of the financial activities of the City of Tavares for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tavares exceeded its liabilities at the close of the most recent fiscal year by \$45,411,298 (net assets). Of this amount, \$8,193,762 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$150,147.
- As of the close of the current fiscal year, the City of Tavares governmental funds reported combined ending fund balances of \$12,122,009, a decrease of \$2,715,339 in comparison with the prior year. This decrease is attributed budgeted appropriations of fund balance reserves in the General Fund due to budget shortfalls attributed to legislative changes related to property tax reform. In addition, appropriations for capital expenditures were budgeted and expended in the Infrastructure Sales Tax.
- The General Fund experienced a decrease in fund balance for the fiscal year; this decrease was attributed to budgeted appropriations due to revenue shortfalls as a result of legislative changes in property tax collections as well as revenue decreases due to the current economic environment.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,979,038 or 16% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Tavares's (the City) 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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Tavares's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Both of the government-wide financial statements distinguish functions of the City of Tavares that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Tavares include general government, public safety, transportation/public works and leisure services. The business-type activities of the City of Tavares include water, sewer, sanitation, and stormwater management.

The government-wide financial statements include only the City of Tavares itself (known as the *primary government*) and one blended component unit (The City of Tavares Community Redevelopment Trust Fund).

The government-wide financial statements can be found on pages 17 – 18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Tavares, 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 of Tavares can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances 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 of Tavares maintains twelve 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, the infrastructure special revenue fund, the greater downtown TIF fund, and the capital project construction fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Tavares adopts an annual appropriated budget for all of its governmental funds except for the permanent funds. Budgetary comparison statements have been provided for the general fund, the infrastructure special revenue fund, and the greater downtown TIF special revenue fund to demonstrate compliance with this budget at page 22 - 24. Budgetary comparison schedules have been provided for the Capital Projects Fund, and the nonmajor funds at pages 75 and pages 89-96.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

The basic governmental fund financial statements can be found on pages 19 – 21 of this report.

Proprietary funds. The City of Tavares maintains one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* for the government-wide financial statements. The City of Tavares uses enterprise funds to account for water, sewer, sanitation and stormwater.

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 water, sewer and sanitation which are all considered to be major funds. Data for the Stormwater Fund is also included since it is the only nonmajor fund.

The basic proprietary fund financial statements can be found on pages 26 – 29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Tavares's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30 - 31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 35 – 65 of this report.

Other information. In addition to the basic financial statements and accompanying notes this report also presents certain required supplementary information concerning the City of Tavares progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 69 - 71.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 75 – 99.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Tavares, assets exceeded liabilities by \$45,411,298 at the close of the most recent fiscal year. The following table reflects a comparison of the condensed statement of net assets for the current year to the prior year. For more detail see the Statement of Net Assets on page 17.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

City of Tavares Statement of Net Assets

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
	Current and other assets	\$ 14,883,924	\$ 17,428,912	\$ 17,287,346	\$ 17,010,920	\$ 32,171,270
Capital assets	18,244,776	16,940,118	32,438,716	32,023,381	50,683,492	48,963,499
Total assets	<u>33,128,700</u>	<u>34,369,030</u>	<u>49,726,062</u>	<u>49,034,301</u>	<u>82,854,762</u>	<u>83,403,331</u>
Long-term liabilities outstanding	14,187,733	14,836,715	18,876,082	19,564,479	33,063,815	34,401,194
Other liabilities	2,349,773	2,298,651	2,029,876	1,142,041	4,379,649	3,440,692
Total liabilities	<u>16,537,506</u>	<u>17,135,366</u>	<u>20,905,958</u>	<u>20,706,520</u>	<u>37,443,464</u>	<u>37,841,886</u>
Net Assets:						
Invested in capital assets, net of related debt	11,503,013	2,448,345	13,570,146	12,458,902	25,073,159	14,907,247
Restricted	559,256	8,892,713	4,263,939	3,560,828	4,823,195	12,453,541
Unrestricted	<u>4,528,925</u>	<u>5,892,606</u>	<u>10,986,019</u>	<u>12,308,051</u>	<u>15,514,944</u>	<u>18,200,657</u>
Total net assets	<u><u>16,591,194</u></u>	<u><u>17,233,664</u></u>	<u><u>28,820,104</u></u>	<u><u>28,327,781</u></u>	<u><u>45,411,298</u></u>	<u><u>45,561,445</u></u>

Fifty-five percent (55%) of the City's net assets reflects its investments in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The amount of assets "net" of related debt increased over the prior fiscal year due to the increase in construction related projects as a result of debt obligations issued in the prior fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Tavares's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Tavares's net assets (10.6%) represents resources that are subject to external restriction on how they may be used. This represents minimal decrease of .31% over the prior year due repayment of debt. The remaining balance of unrestricted net assets \$8,193,762 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Tavares is able to report positive balances in all categories of net assets.

The City's net assets decreased \$150,147 during the current fiscal year. The following table reflects the condensed Statement of Activities for the current year compared to the prior year. For more detail see the Statement of Activities on page 18.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues -						
Charges for services	\$ 681,029	\$ 1,027,699	\$ 9,071,254	\$ 8,885,389	\$ 9,752,283	\$ 9,913,088
Operating grants and contributions	590,825	546,080	-	-	590,825	546,080
Capital grants and contributions	443,670	625,773	796,124	411,166	1,239,794	1,036,939
General revenues -						
Property taxes	5,387,080	4,880,954	-	-	5,387,080	4,880,954
Franchise and utility taxes	2,632,956	2,495,763	-	-	2,632,956	2,495,763
Intergovernmental	1,942,101	2,579,506	-	-	1,942,101	2,579,506
Investment income and miscellaneous	167,850	520,521	77,214	384,170	245,064	904,691
Total revenues	<u>11,845,511</u>	<u>12,676,296</u>	<u>9,944,592</u>	<u>9,680,725</u>	<u>21,790,103</u>	<u>22,357,021</u>
Expenses:						
General government	2,760,070	2,636,200	-	-	2,760,070	2,636,200
Public safety	5,967,840	5,210,828	-	-	5,967,840	5,210,828
Physical environment	2,099,378	2,423,147	-	-	2,099,378	2,423,147
Economic environment	421,225	474,877	-	-	421,225	474,877
Culture and recreation	2,447,157	1,649,694	-	-	2,447,157	1,649,694
Interest on long-term debt	565,029	536,771	-	-	565,029	536,771
Water and sewer	-	-	5,657,303	5,593,341	5,657,303	5,593,341
Sanitation	-	-	1,693,286	1,753,303	1,693,286	1,753,303
Stormwater	-	-	328,962	279,931	328,962	279,931
Total expenses	<u>14,260,699</u>	<u>12,931,517</u>	<u>7,679,551</u>	<u>7,626,575</u>	<u>21,940,250</u>	<u>20,558,092</u>
Increase (Decrease) in Net Assets Before Transfers	(2,415,188)	(255,221)	2,265,041	2,054,150	(150,147)	1,798,929
Transfers	<u>1,772,718</u>	<u>1,430,030</u>	<u>(1,772,718)</u>	<u>(1,430,030)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	(642,470)	1,174,809	492,323	624,120	(150,147)	1,798,929
Net Assets - Beginning	<u>17,233,664</u>	<u>16,058,855</u>	<u>28,327,781</u>	<u>27,703,661</u>	<u>45,561,445</u>	<u>43,762,516</u>
Net Assets - Ending	<u>\$ 16,591,194</u>	<u>\$ 17,233,664</u>	<u>\$ 28,820,104</u>	<u>\$ 28,327,781</u>	<u>\$ 45,411,298</u>	<u>\$ 45,561,445</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Governmental activities – Governmental activities decreased the City of Tavares's net assets by \$642,470. Key elements of this decrease are as follows:

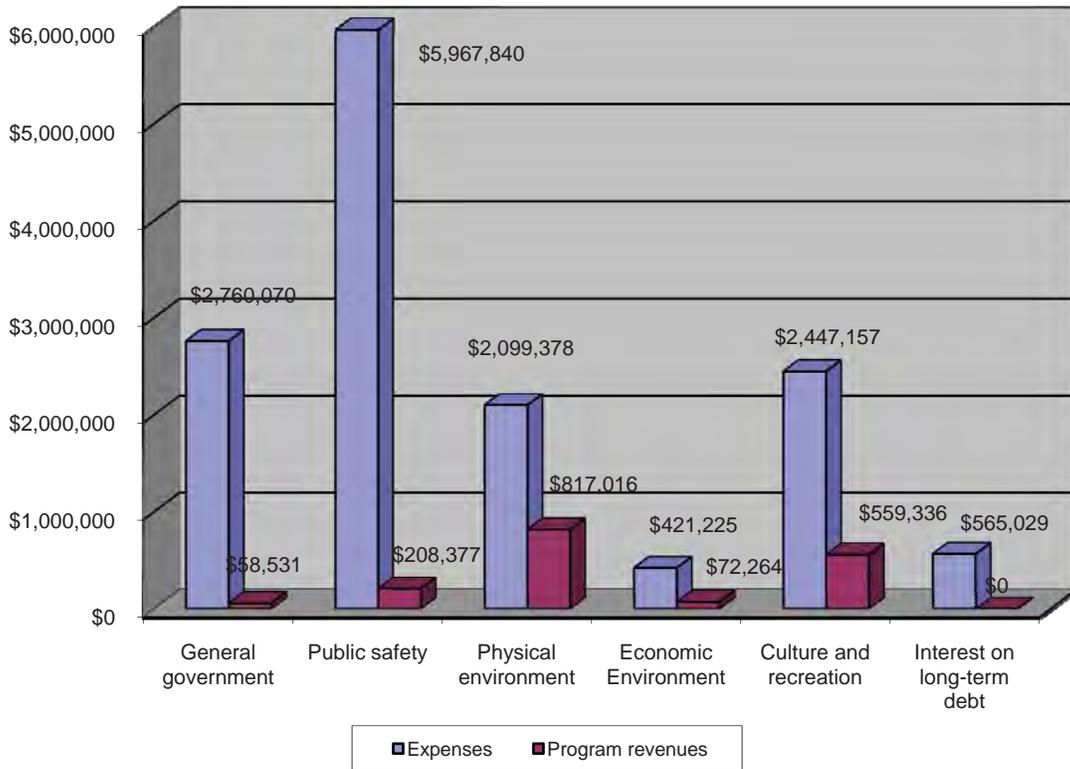
- Property taxes increased by almost \$506,126 (10%) during the year. Franchise fees and utility taxes also provided additional revenues in the amount of \$137,193 (5%). Utility taxes and franchise fee collections are based on gross revenues of payers.
- Although new construction continued during the year, the number of new permits issued during the fiscal year fell again for the third consecutive fiscal year with permit and license revenues decreasing by \$268,086 or a decrease of 45% over the prior fiscal year.
- Intergovernmental revenues in the General Fund decreased by \$637,405, a decrease of 25% over the prior fiscal year. The largest component of this decrease was attributed to the completion of transportation projects that were funded in the prior year from Lake County Transportation Impact Fees. No collections were received from this revenue source in current fiscal year.

Business-type activities – Overall, net assets increased by approximately 2% from business-type activities during the current year. Unrestricted net assets of the business-type activities at the end of the year amounted to \$10,986,019. The City has begun two major plant expansion projects for the water and wastewater utilities - the water plant upgrade project and the water/wastewater reuse project. In June of the current year, the City completed and adopted a rate study in anticipation of these projects which will be funded from State Revolving Loan Funds. Key highlights for business activities during the current year were as follows:

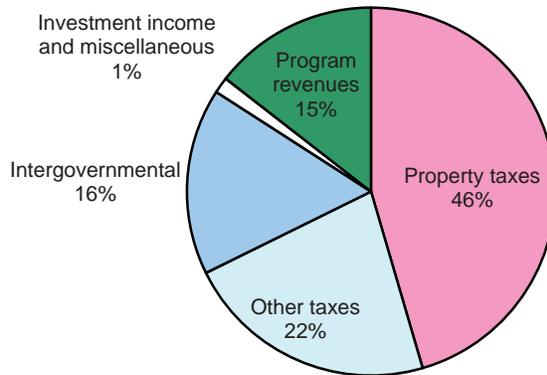
- Charges for services for all business-type activities increased by only approximately 2%, primarily due to decreased demand as a result of water conservation initiatives required under the City's consumptive use permit. Water and Sewer revenues decreased by \$111,899 in charges for services.
- Although impact fee collections continue to decline due to the reduced construction activity, impact fees continued to be a steady revenue source for the water and wastewater utility with revenues totaling \$119,348. In the current fiscal year, the City implemented a City-wide impact fee waiver program to "jump-start" the local economy.
- In addition to promoting development and economic growth in the downtown Community Redevelopment Area, in the current fiscal year, the City implemented a City-wide impact fee waiver program to "jump-start" the local economy and to counter the effects of vacant structures or uncompleted projects related to residential foreclosures and credit market declines.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Expenses and Program Revenues - Governmental Activities

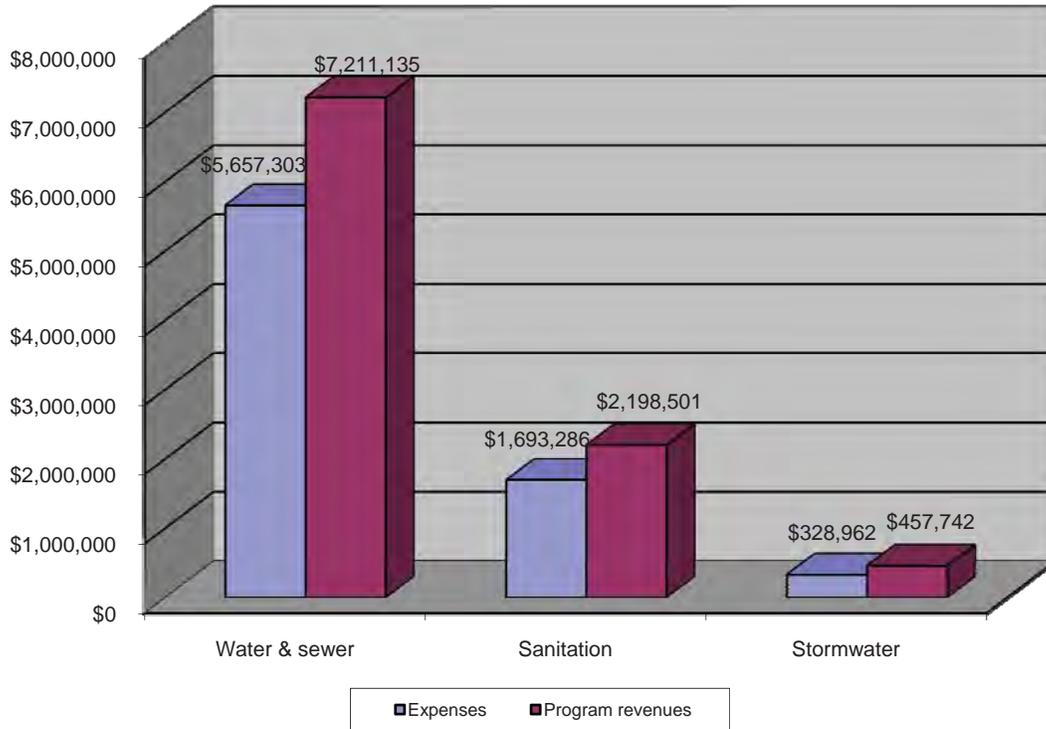


Revenues by Source - Governmental Activities

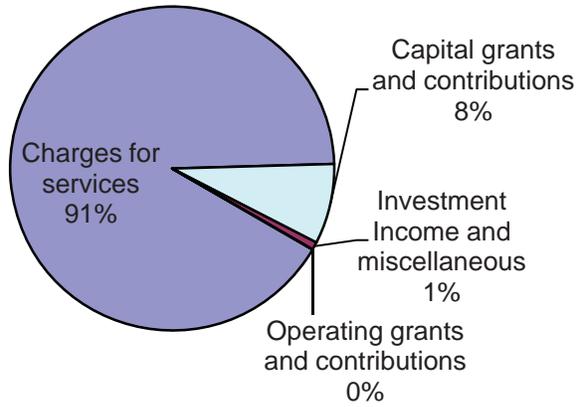


MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business - Type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Financial Analysis of the Government's Funds

As noted earlier, the City of Tavares used fund accounting to ensure and demonstrate compliance with finance-related 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 of Tavares's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Tavares's governmental funds reported combined ending fund balances of \$12,122,009 a decrease of \$2,715,339 in comparison with the prior year. Approximately 96% of this total amount, \$11,679,771 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed: 1. to pay debt service (\$184,854); 2. to generate income for the perpetual care of the Wooton Park Playground (\$32,993); 3. to fund projects within the community redevelopment district (\$219,629); and 4. for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Tavares. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,979,038, while total fund balance was \$1,983,803. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.1% of total general fund expenditures, while total fund balance represents 16.2% of that same amount.

The fund balance of the general fund decreased by \$1,186,386 during the current fiscal year. Key factors attributing to the decrease are as follows:

- Budgeted appropriations of fund balance reserves for operating activities (\$1,404,941).
- A decrease in anticipated permit revenues due to a decline in new construction (\$268,086).
- A decrease in non-recurring intergovernmental revenues related to road construction projects.
- Increases in operating expenditures such as fuel, utilities and insurances.

The infrastructure special revenue fund has a total fund balance of \$2,107,269 which will be used by the City to fund various capital projects. In the current year, the infrastructure fund expended \$1,269,167 in needed capital equipment and capital improvement projects. A major project completed in the current reporting period using infrastructure monies is the US 441 median improvement project. Ongoing projects using infrastructure funds include the Aesop's Park Dog Park and the Woodlea Sports Complex project. In addition, infrastructure monies fund purchases of various needed capital equipment items.

The fund balance in the general government capital project fund decreased by \$1,512,598 due to expenditures for the Wooton Park Seaplane Base project in the amount of \$1,429,268 and expenditures in the amount of \$83,330 for the unpaved road project. The Wooton Park Seaplane Base/Marina project is scheduled for completion in March 2010.

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

Unrestricted net assets of the proprietary funds at the year-end amounted to \$10,986,019. Total net assets for proprietary funds increased by \$492,323. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Tavares's business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

General Fund Budgetary Highlights

Decreases from original budget appropriations and final amended budget appropriations were \$227,937 while original estimated revenues decreased by \$543,107. Revenue estimates decreased mainly due to estimated decreases in building permits revenues, intergovernmental revenue, and investment earnings, thus estimated appropriations from fund balance increased by \$315,169 from original estimates. During the year, however actual revenues were more than budgetary estimates by \$53,118, and expenditures were more than budgetary estimates by \$102,954 thus the need to draw upon additional fund balance reserves. The reasons for the increase in appropriations can be briefly summarized as follows:

- \$18,419 in decreases for general government activities was anticipated due anticipated decreases in travel/training, contingency and network expenditures.
- \$206,793 in decreases was anticipated for public safety activities related to decreases in anticipated overtime requirements and fuel costs.
- \$137,753 in decreases for culture & recreation was anticipated due to decreases in expected expenditures for personal service costs due to vacant positions.
- \$204,966 in increases was anticipated for physical environment activities due to expected increases in utility costs as a result of a City-wide electric utility account review which revealed some general government departments were improperly included on water and wastewater electric utility bills.

Capital Asset and Debt Administration

Capital Assets – The City of Tavares's investment in capital assets for its governmental and business-type activities as of September 30, 2009 amounts to \$50,683,492 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements/infrastructure, and machinery and equipment. A decrease of less than 1% in the City's investment in capital assets was experienced for the current fiscal year as several major capital expenditures although near completion have not been moved from construction in progress. Major capital asset events during the current fiscal year included the following:

- Capital improvements to business-type activities include: ongoing capital expenditures for the SCADA system for sewer lift stations; water plant upgrades which includes upgrades for water treatment plants #1, #2, #3, #4, and an additional water ground storage tank; a water reuse plant (planning and design); and various capital equipment.
- Capital improvements to governmental activities included the near completion of the US 441 Landscaping Project, boat ramp and restroom improvements for Summerall Park, street paving improvements, and improvements to Wooton Park in the downtown waterfront for a seaplane base, marina, train depot, and store.

City of Tavares Capital Assets (Net of Depreciation)

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,407,436	\$ 2,407,436	\$ 388,346	\$ 388,346	\$ 2,795,782	\$ 2,795,782
Buildings & improvements	2,615,389	2,749,078	27,691,581	28,981,766	30,306,970	31,730,844
Improvements/infrastructure	7,398,819	7,583,147	-	-	7,398,819	7,583,147
Machinery and equipment	2,340,581	2,800,849	1,485,318	1,510,630	3,825,899	4,311,479
Construction in progress	3,482,551	1,399,608	2,873,471	1,142,639	6,356,022	2,542,247
Total	<u>\$ 18,244,776</u>	<u>\$ 16,940,118</u>	<u>\$ 32,438,716</u>	<u>\$ 32,023,381</u>	<u>\$ 50,683,492</u>	<u>\$ 48,963,499</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Additional information on the City of Tavares's capital assets can be found in Note 6 on pages 48-49 of this report.

Long-Term Debt – At the end of the current fiscal year, the City of Tavares had total debt outstanding of \$33,440,318. This debt includes bonds payable and notes payable. Additional information on long-term debt can be found in Note 7 on pages 50-54 of this report.

City of Tavares Long-Term Debt						
	Governmental		Business Type		Total	
	Activities		Activities			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Bonds payable	\$ -	\$ -	\$ 5,550,000	\$ 5,740,000	\$ 5,550,000	\$ 5,740,000
Notes payable	13,521,000	14,275,000	13,351,767	13,727,955	26,872,767	28,002,955
Capital lease obligations	124,810	216,773	45,372	186,185	170,182	402,958
	<u>\$ 13,645,810</u>	<u>\$ 14,491,773</u>	<u>\$ 18,947,139</u>	<u>\$ 19,654,140</u>	<u>\$ 32,592,949</u>	<u>\$ 34,145,913</u>

The City of Tavares's total debt decreased by \$1,552,964 (5%) during the current fiscal year, primarily because of the following:

- Principal payments in the amount of \$845,963 in general government funds for notes payable and capital lease obligations.
- Principal payments in the amount of \$707,001 in proprietary funds for bonds and notes payable and capital lease obligations.

During fiscal year 2008 the City issued capital improvement notes for the Wooton Park Seaplane Base located on the downtown waterfront in the amount of \$7.4 million and for the paving project for unimproved city streets in the amount of \$1.5 million. Projects funded by these obligations are ongoing and are scheduled for completion in fiscal year 2010.

Economic Factors and Next Year's Budget and Rates

The factors listed below were considered in preparing the City's budget for 2010 fiscal year.

- The unemployment rate for Lake County is currently 11.8%. This compares to the state's average unemployment rate of 10.9% and the national rate of 9.6%.
- New construction permits decreased in fiscal year 2010 as new construction permits continue to experience a decline in activity. A significant portion of permit revenues can be attributed to new development. It is anticipated that the impact fee waivers will increase new construction in fiscal year 2010.

During the current fiscal year, the unreserved fund balance in the general fund decreased to \$1,958,671. The City appropriated \$160,019 of this amount for spending in the 2011 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes.

Requests for Information

This financial report is designed to provide a general overview of the City of Tavares's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Director, City of Tavares, P.O. Box 1068, Tavares, Florida, 32778.



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BASIC FINANCIAL STATEMENTS



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CITY OF TAVARES, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 13,384,786	\$ 11,065,021	\$ 24,449,807
Receivables, net	203,880	867,398	1,071,278
Inventories	4,765	-	4,765
Prepaid items	41,835	38,495	80,330
Due from other governments	786,689	676,948	1,463,637
Restricted assets:			
Cash and cash equivalents	-	4,263,939	4,263,939
Special assessments receivable	-	18,403	18,403
Bond issuance cost	-	357,142	357,142
Pension assets	461,969	-	461,969
Capital assets not being depreciated	5,889,987	3,261,817	9,151,804
Capital assets being depreciated, net of accumulated depreciation	12,354,789	29,176,899	41,531,688
Total assets	33,128,700	49,726,062	82,854,762
Liabilities:			
Accounts payable and other current liabilities	1,433,027	1,455,137	2,888,164
Matured bonds and interest payable	779,990	234,604	1,014,594
Accrued interest payable	49,827	-	49,827
Unearned revenue	86,929	-	86,929
Liabilities payable from restricted assets	-	340,135	340,135
Noncurrent liabilities:			
Due within one year	1,170,714	629,926	1,800,640
Due in more than one year	13,017,019	18,246,156	31,263,175
Total liabilities	16,537,506	20,905,958	37,443,464
Net Assets:			
Invested in capital assets, net of related debt	11,503,013	13,570,146	25,073,159
Restricted for:			
Capital improvements	153,164	4,263,939	4,417,103
Community redevelopment	219,629	-	219,629
Debt service	184,851	-	184,851
Perpetual care-nonexpendable	1,612	-	1,612
Unrestricted	4,528,925	10,986,019	15,514,944
Total Net Assets	\$ 16,591,194	\$ 28,820,104	\$ 45,411,298

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF TAVARES, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business Activities		Total
			Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business Activities	
Governmental activities:								
General government	\$ 2,760,070	\$ 58,531	\$ -	\$ -	\$ (2,701,539)	\$ -	\$ -	\$ (2,701,539)
Public safety	5,967,840	207,377	1,000	-	(5,759,463)	-	-	(5,759,463)
Physical environment	2,099,378	284,376	381,927	150,713	(1,282,362)	-	-	(1,282,362)
Economic environment	421,225	17,764	54,500	-	(348,961)	-	-	(348,961)
Culture and recreation	2,447,157	112,981	153,398	292,957	(1,887,821)	-	-	(1,887,821)
Interest on long-term debt	565,029	-	-	-	(565,029)	-	-	(565,029)
Total governmental activities	14,260,699	681,029	590,825	443,670	(12,545,175)	-	-	(12,545,175)
Business-type activities:								
Water & sewer	5,657,303	6,415,011	-	796,124	-	-	1,553,832	1,553,832
Sanitation	1,693,286	2,198,501	-	-	-	-	505,215	505,215
Stormwater utility	328,962	457,742	-	-	-	-	128,780	128,780
Total business-type activities	7,679,551	9,071,254	-	796,124	-	-	2,187,827	2,187,827
Total primary government	\$ 21,940,250	\$ 9,752,283	\$ 590,825	\$ 1,239,794	(12,545,175)	2,187,827	2,187,827	(10,357,348)
General revenues								
Property taxes					5,387,080	-	-	5,387,080
Franchise fees and utility taxes					2,632,956	-	-	2,632,956
Intergovernmental - unrestricted					1,942,101	-	-	1,942,101
Investment income and miscellaneous					167,850	77,214	77,214	245,064
Transfers					1,772,718	(1,772,718)	-	-
Total general revenues and transfers					11,902,705	(1,695,504)	(1,695,504)	10,207,201
Change in net assets					(642,470)	492,323	492,323	(150,147)
Net assets, beginning					17,233,664	28,327,781	28,327,781	45,561,445
Net assets, ending					\$ 16,591,194	\$ 28,820,104	\$ 28,820,104	\$ 45,411,298

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF TAVARES, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2009

	General	Infrastructure Special Revenue	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,098,937	\$ 2,579,568	\$ 222,127	\$ 7,475,976	\$ 1,008,178	\$ 13,384,786
Prepaid items	41,835	-	-	-	-	41,835
Receivables, net	203,830	-	50	-	-	203,880
Inventories, at cost	4,765	-	-	-	-	4,765
Due from other funds	348,071	-	-	-	-	348,071
Due from other governments	171,026	167,794	-	-	447,869	786,689
Total assets	<u>\$ 2,868,464</u>	<u>\$ 2,747,362</u>	<u>\$ 222,177</u>	<u>\$ 7,475,976</u>	<u>\$ 1,456,047</u>	<u>\$ 14,770,026</u>
Liabilities and Fund Balances:						
Accounts payable	\$ 156,976	\$ 6,589	\$ 1,824	\$ 418,765	\$ 168,926	\$ 753,080
Accrued liabilities	618,567	-	724	-	7,573	626,864
Due to other funds	-	-	-	-	348,071	348,071
Unearned revenue	56,035	-	-	-	30,894	86,929
Developer deposits	42,050	-	-	-	-	42,050
Other current liabilities	11,033	-	-	-	-	11,033
Matured bonds payable	-	524,000	-	-	135,000	659,000
Matured interest payable	-	109,504	-	-	11,486	120,990
Total liabilities	<u>884,661</u>	<u>640,093</u>	<u>2,548</u>	<u>418,765</u>	<u>701,950</u>	<u>2,648,017</u>
Fund balances:						
Reserved:						
Inventories	4,765	-	-	-	-	4,765
Community development	-	-	219,629	-	-	219,629
Debt service	-	-	-	-	184,851	184,851
Playground	-	-	-	-	32,993	32,993
Unreserved, reported in:						
General fund	1,979,038	-	-	-	-	1,979,038
Special revenue funds	-	2,107,269	-	-	534,641	2,641,910
Capital projects fund	-	-	-	7,057,211	-	7,057,211
Permanent funds	-	-	-	-	1,612	1,612
Total fund balances	<u>1,983,803</u>	<u>2,107,269</u>	<u>219,629</u>	<u>7,057,211</u>	<u>754,097</u>	<u>12,122,009</u>
Total liabilities and fund balances	<u>\$ 2,868,464</u>	<u>\$ 2,747,362</u>	<u>\$ 222,177</u>	<u>\$ 7,475,976</u>	<u>\$ 1,456,047</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	18,244,776
The cumulative net pension contribution in excess of the annual required contribution is presented as an asset on the entity-wide statement of net assets in accordance with GASB Statement No. 27	461,969
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(49,827)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(14,187,733)</u>
Net assets of governmental activities	<u>\$ 16,591,194</u>

CITY OF TAVARES, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For The Year Ended September 30, 2009

	General	Infrastructure Special Revenue	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 7,767,971	\$ -	\$ 252,065	\$ -	\$ -	\$ 8,020,036
Licenses and permits	326,424	-	-	-	-	326,424
Intergovernmental revenues	1,466,376	1,008,002	54,500	-	447,718	2,976,596
Charges for services	142,389	-	-	-	-	142,389
Fines and forfeitures	39,001	-	-	-	22,930	61,931
Impact fees/special assessments	-	-	-	-	150,285	150,285
Investment income	26,721	17,627	373	-	3,782	48,503
Miscellaneous	117,847	-	1,500	-	-	119,347
Total revenues	<u>9,886,729</u>	<u>1,025,629</u>	<u>308,438</u>	<u>-</u>	<u>624,715</u>	<u>11,845,511</u>
Expenditures:						
Current						
General government	2,579,207	43,635	-	-	-	2,622,842
Public safety	5,496,305	45,719	-	-	23,944	5,565,968
Physical environment	1,963,272	341,764	-	-	126,590	2,431,626
Economic environment	188,982	6,139	229,333	-	-	424,454
Culture and recreation	1,991,293	44,277	-	1,512,598	329,518	3,877,686
Debt Service						
Principal retirement	53,609	562,354	-	-	230,000	845,963
Interest and fiscal charges	992	225,279	-	-	338,758	565,029
Total expenditures	<u>12,273,660</u>	<u>1,269,167</u>	<u>229,333</u>	<u>1,512,598</u>	<u>1,048,810</u>	<u>16,333,568</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,386,931)</u>	<u>(243,538)</u>	<u>79,105</u>	<u>(1,512,598)</u>	<u>(424,095)</u>	<u>(4,488,057)</u>
Other Financing Sources (Uses)						
Transfers in	1,772,718	-	-	-	572,173	2,344,891
Transfers out	(572,173)	-	-	-	-	(572,173)
Net other financing sources (uses)	<u>1,200,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,173</u>	<u>1,772,718</u>
Net Change in Fund Balances	<u>(1,186,386)</u>	<u>(243,538)</u>	<u>79,105</u>	<u>(1,512,598)</u>	<u>148,078</u>	<u>(2,715,339)</u>
Fund balances - Beginning	<u>3,170,189</u>	<u>2,350,807</u>	<u>140,524</u>	<u>8,569,809</u>	<u>606,019</u>	<u>14,837,348</u>
Fund balances - Ending	<u>\$ 1,983,803</u>	<u>\$ 2,107,269</u>	<u>\$ 219,629</u>	<u>\$ 7,057,211</u>	<u>\$ 754,097</u>	<u>\$ 12,122,009</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF TAVARES, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended September 30, 2009

Amounts reported for the governmental activities in the statement of activities (page 18) are different because:

Net change in fund balances - total governmental funds (page 20)	\$ (2,715,339)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,380,077
Pension expenses recorded in the statement of activities which are in excess of the annual required pension contribution are considered to be assets and not expenses of the period.	119,229
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	845,963
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net assets	(75,419)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(196,981)</u>
Change in net assets of governmental activities (page 18)	<u><u>\$ (642,470)</u></u>

The accompanying Notes to Financial Statements are an Integral part of these statements.

CITY OF TAVARES, FLORIDA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,804,619	\$ 7,723,679	\$ 7,767,971	\$ 44,292
Licenses and permits	476,077	326,424	326,424	-
Intergovernmental revenues	1,572,417	1,433,801	1,466,376	32,575
Charges for services	179,882	170,035	142,389	(27,646)
Fines and forfeitures	62,948	39,000	39,001	1
Investment income	197,787	41,302	26,721	(14,581)
Miscellaneous	82,988	99,370	117,847	18,477
Total revenues	10,376,718	9,833,611	9,886,729	53,118
Expenditures:				
Current:				
General government	2,720,079	2,597,626	2,579,207	18,419
Public safety	5,655,313	5,486,029	5,496,305	(10,276)
Physical environment	1,855,837	2,060,803	1,963,272	97,531
Economic environment	194,592	190,257	188,982	1,275
Culture and recreation	2,125,051	1,987,298	1,991,293	(3,995)
Debt service:				
Principal retirement	52,684	53,610	53,609	1
Interest and fiscal charges	995	991	992	(1)
Total expenditures	12,604,551	12,376,614	12,273,660	102,954
Excess (Deficiency) of Revenues Over Expenditures	(2,227,833)	(2,543,003)	(2,386,931)	156,072
Other Financing Sources (Uses)				
Transfers in	1,772,718	1,772,718	1,772,718	-
Transfers out	(572,174)	(572,173)	(572,173)	-
Net other financing sources (uses)	1,200,544	1,200,545	1,200,545	-
Net Change in Fund Balances	(1,027,289)	(1,342,458)	(1,186,386)	156,072
Fund Balances - Beginning	3,170,189	3,170,189	3,170,189	-
Fund Balances - Ending	\$ 2,142,900	\$ 1,827,731	\$ 1,983,803	\$ 156,072

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF TAVARES, FLORIDA

INFRASTRUCTURE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 1,132,595	\$ 915,185	\$ 1,008,002	\$ 92,817
Investment income	64,821	32,484	17,627	(14,857)
Total revenues	<u>1,197,416</u>	<u>947,669</u>	<u>1,025,629</u>	<u>77,960</u>
Expenditures:				
Current:				
General government	92,660	43,635	43,635	-
Public safety	42,000	45,720	45,719	1
Physical environment	260,113	378,940	341,764	37,176
Economic environment	700,000	8,339	6,139	2,200
Culture and recreation	446,286	112,567	44,277	68,290
Debt service:				
Principal retirement	574,059	38,354	562,354	(524,000)
Interest and fiscal charges	225,279	115,774	225,279	(109,505)
Total expenditures	<u>2,340,397</u>	<u>743,329</u>	<u>1,269,167</u>	<u>(525,838)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,142,981)</u>	<u>204,340</u>	<u>(243,538)</u>	<u>(447,878)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,142,981)</u>	<u>204,340</u>	<u>(243,538)</u>	<u>(447,878)</u>
Fund Balances - Beginning	2,350,807	2,350,807	2,350,807	-
Fund Balances - Ending	<u>\$ 1,207,826</u>	<u>\$ 2,555,147</u>	<u>\$ 2,107,269</u>	<u>\$ (447,878)</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF TAVARES, FLORIDA

GREATER DOWNTOWN TIF DISTRICT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 243,286	\$ 252,065	\$ 252,065	\$ -
Intergovernmental revenues	56,000	54,500	54,500	-
Investment income	2,500	671	373	(298)
Miscellaneous income	-	1,500	1,500	
Total revenues	<u>301,786</u>	<u>308,736</u>	<u>308,438</u>	<u>(298)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Physical environment	-	-	-	-
Economic environment	278,600	239,808	229,333	10,475
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>278,600</u>	<u>239,808</u>	<u>229,333</u>	<u>10,475</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,186</u>	<u>68,928</u>	<u>79,105</u>	<u>10,177</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	23,186	68,928	79,105	10,177
Fund Balances - Beginning	140,524	140,524	140,524	-
Fund Balances - Ending	<u>\$ 163,710</u>	<u>\$ 209,452</u>	<u>\$ 219,629</u>	<u>\$ 10,177</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF TAVARES, FLORIDA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2009

	Business-Type Activities-Enterprise Funds			
	Water & Sewer	Sanitation	Stormwater	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,588,327	\$ 7,346	\$ 469,348	\$ 11,065,021
Receivables, net	593,289	224,371	49,738	867,398
Due to other funds	35,000	-	-	35,000
Due from other governments	676,776	172	-	676,948
Prepaid items	29,625	6,361	2,509	38,495
Total current assets	<u>11,923,017</u>	<u>238,250</u>	<u>521,595</u>	<u>12,682,862</u>
Noncurrent assets:				
Restricted cash and cash equivalents	4,263,939	-	-	4,263,939
Bond Issuance cost	357,142	-	-	357,142
Special assessments receivable-long term	18,403	-	-	18,403
Capital assets:				
Land, buildings and equipment	46,786,047	1,154,598	498,087	48,438,732
Construction in progress	2,827,258	-	46,213	2,873,471
Less accumulated depreciation	(17,755,831)	(868,494)	(249,162)	(18,873,487)
Total capital assets (net of accumulated depreciation)	<u>31,857,474</u>	<u>286,104</u>	<u>295,138</u>	<u>32,438,716</u>
Total noncurrent assets	<u>36,496,958</u>	<u>286,104</u>	<u>295,138</u>	<u>37,078,200</u>
Total assets	<u>48,419,975</u>	<u>524,354</u>	<u>816,733</u>	<u>49,761,062</u>
Liabilities				
Current liabilities:				
Accounts payable	1,151,122	19,573	21,553	1,192,248
Accrued liabilities	202,232	43,913	16,744	262,889
Due to other funds	-	35,000	-	35,000
Customer deposits payable	340,135	-	-	340,135
Obligations under capital leases	-	45,372	-	45,372
Notes payable	384,554	-	-	384,554
Revenue bonds payable	200,000	-	-	200,000
Accrued interest payable	234,314	290	-	234,604
Total current liabilities	<u>2,512,357</u>	<u>144,148</u>	<u>38,297</u>	<u>2,694,802</u>
Noncurrent liabilities:				
Other post employment benefit obligations	5,066	1,850	596	7,512
Notes payable	12,967,213	-	-	12,967,213
Revenue bonds payable	5,271,431	-	-	5,271,431
Total noncurrent liabilities	<u>18,243,710</u>	<u>1,850</u>	<u>596</u>	<u>18,246,156</u>
Total liabilities	<u>20,756,067</u>	<u>145,998</u>	<u>38,893</u>	<u>20,940,958</u>
Net Assets				
Invested in capital assets, net of related debt	13,034,276	240,732	295,138	13,570,146
Restricted for capital improvements	4,263,939	-	-	4,263,939
Unrestricted	10,365,693	137,624	482,702	10,986,019
Total net assets	<u>\$ 27,663,908</u>	<u>\$ 378,356</u>	<u>\$ 777,840</u>	<u>\$ 28,820,104</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF TAVARES, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS

For The Year Ended September 30, 2009

	Business-Type Activities-Enterprise Funds			
	Water & Sewer	Sanitation	Stormwater	Total
Operating Revenues				
User charges	\$ 6,415,011	\$ 2,198,501	\$ 457,742	\$ 9,071,254
Miscellaneous	28,455	13,993	437	42,885
Total operating revenues	<u>6,443,466</u>	<u>2,212,494</u>	<u>458,179</u>	<u>9,114,139</u>
Operating Expenses				
Personal services	1,556,432	461,627	173,776	2,191,835
Utilities	536,287	969,868	-	1,506,155
Materials and supplies	347,641	60,061	33,406	441,108
Repairs and maintenance	203,944	53,853	16,104	273,901
Depreciation and amortization	1,751,737	88,188	52,527	1,892,452
Professional services	400,836	2,100	32,099	435,035
Other expenses	239,905	45,800	20,641	306,346
Total operating expenses	<u>5,036,782</u>	<u>1,681,497</u>	<u>328,553</u>	<u>7,046,832</u>
Operating income (loss)	<u>1,406,684</u>	<u>530,997</u>	<u>129,626</u>	<u>2,067,307</u>
Nonoperating Revenue (Expenses)				
Intergovernmental revenue	676,776	-	-	676,776
Investment income	32,520	153	1,656	34,329
Interest expense	(617,689)	(2,762)	(52)	(620,503)
Loss on disposition of capital assets	(2,832)	(9,027)	(357)	(12,216)
Total nonoperating revenue (expense)	<u>88,775</u>	<u>(11,636)</u>	<u>1,247</u>	<u>78,386</u>
Income before contributions and transfers	1,495,459	519,361	130,873	2,145,693
Impact fees	119,348	-	-	119,348
Transfers in	-	-	-	-
Transfers out	(1,047,348)	(552,325)	(173,045)	(1,772,718)
Change in net assets	<u>567,459</u>	<u>(32,964)</u>	<u>(42,172)</u>	<u>492,323</u>
Total Net Assets - Beginning	<u>27,096,449</u>	<u>411,320</u>	<u>820,012</u>	<u>28,327,781</u>
Total Net Assets - Ending	<u>\$ 27,663,908</u>	<u>\$ 378,356</u>	<u>\$ 777,840</u>	<u>\$ 28,820,104</u>

The accompanying Notes to Financial Statements are an integral part of these statements.



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CITY OF TAVARES, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For The Year Ended September 30, 2009

	Business-Type Activities-Enterprise Funds			
	Water & Sewer	Sanitation	Stormwater	Total
Cash Flows from Operating Activities:				
Receipts from customers	\$ 6,439,210	\$ 2,220,030	\$ 452,866	\$ 9,112,106
Payments to suppliers	(866,175)	(1,116,406)	(83,072)	(2,065,653)
Payments to employees	(1,518,497)	(455,616)	(172,120)	(2,146,233)
Net cash provided (used) by operating activities	<u>4,054,538</u>	<u>648,008</u>	<u>197,674</u>	<u>4,900,220</u>
Cash Flows from Non-Capital Financing Activities:				
Intergovernmental revenue	-	2,514		2,514
Transfers out	(1,047,348)	(552,325)	(173,045)	(1,772,718)
Net cash provided (used) by non-capital financing activities	<u>(1,047,348)</u>	<u>(549,811)</u>	<u>(173,045)</u>	<u>(1,770,204)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(2,278,230)	-	(41,773)	(2,320,003)
Principal paid on long-term debt	(600,321)	(92,240)	(3,348)	(695,909)
Interest paid on long-term-debt	(604,965)	(3,339)	(62)	(608,366)
Impact fees received	119,348	-	-	119,348
Net cash provided (used) by capital and related financing activities	<u>(3,364,168)</u>	<u>(95,579)</u>	<u>(45,183)</u>	<u>(3,504,930)</u>
Cash Flows from Investing Activities:				
Investment income	32,520	153	1,656	34,329
Net cash provided by investing activities	<u>32,520</u>	<u>153</u>	<u>1,656</u>	<u>34,329</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(324,458)	2,771	(18,898)	(340,585)
Cash and Cash Equivalents - Beginning	15,176,724	4,575	488,246	15,669,545
Cash and Cash Equivalents - End	<u>\$ 14,852,266</u>	<u>\$ 7,346</u>	<u>\$ 469,348</u>	<u>\$ 15,328,960</u>
Classified As:				
Cash and cash equivalents	\$ 10,588,327	\$ 7,346	\$ 469,348	\$ 11,065,021
Restricted cash and cash equivalents	4,263,939	-	-	4,263,939
Total	<u>\$ 14,852,266</u>	<u>\$ 7,346</u>	<u>\$ 469,348</u>	<u>\$ 15,328,960</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

	Business-Type Activities-Enterprise Funds			
	Water & Sewer	Sanitation	Stormwater	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities				
Operating income (loss)	\$ 1,406,684	\$ 530,997	\$ 129,626	\$ 2,067,307
Adjustments Not Affecting Cash:				
Depreciation and amortization	1,751,737	88,188	52,527	1,892,452
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	220	7,537	(5,313)	2,444
(Increase) in due from other funds	(35,000)	-	-	(35,000)
Increase (decrease) in accounts payable	890,967	(21,404)	19,429	888,992
Increase (decrease) in accrued liabilities	37,935	6,010	1,656	45,601
(Increase) in prepaid items	6,472	1,680	(251)	7,901
Increase (decrease) in due to other funds	-	35,000	-	35,000
decrease in customer deposits	(4,477)	-	-	(4,477)
Total adjustments	2,647,854	117,011	68,048	2,832,913
Net Cash Provided by Operating Activities	<u>\$ 4,054,538</u>	<u>\$ 648,008</u>	<u>\$ 197,674</u>	<u>\$ 4,900,220</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF TAVARES, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

September 30, 2009

	<u>Total Pension Funds</u>
Assets:	
Cash and cash equivalents	\$ 11,194
Investments (at fair value):	
SunTrust equities	1,433,280
Exchange traded Funds	569,609
Common and collective funds - CTF equities	2,282,637
Common and collective funds - fixed income	3,413,228
Other pension mutual funds	<u>1,328,225</u>
Total assets	9,038,173
Liabilities:	
Accounts payable	<u>92,103</u>
Net Assets:	
Held in trust for pension benefits	<u>\$ 8,946,070</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF TAVARES, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For The Year Ended September 30, 2009

	<u>Total Pension Funds</u>
Additions:	
Contributions:	
Employer	\$ 538,236
Plan members	242,770
State	<u>175,385</u>
Total contributions	<u>956,391</u>
Investment income:	
Net increase (decrease) in fair value of investments	365,034
Interest	41,102
Less investment expense	<u>(101,892)</u>
Net investment income	<u>304,244</u>
Total additions	<u>1,260,635</u>
Deductions:	
Benefits/distributions	<u>313,901</u>
Total deductions	<u>313,901</u>
Change in Net Assets	946,734
Net Assets - Beginning	<u>7,999,336</u>
Net Assets - Ending	<u>\$ 8,946,070</u>

The accompanying Notes to Financial Statement are an integral part of these statements.



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NOTES TO FINANCIAL STATEMENTS



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CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The City of Tavares, Florida (the City) is a political subdivision of the State of Florida located in Lake County. The City of Tavares operates under the council-manager (administrator) form of government. The legislative branch of the City is composed of a Mayor and four (4) members. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed City Administrator.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, the City has one blended component unit as follows:

The City of Tavares Greater Downtown TIF District

The City of Tavares created the Downtown Redevelopment Agency in June of 1995. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The City Council, being the duly elected governmental body for the designated area, passed Resolution 95-09, which established the City of Tavares as the Redevelopment Agency for the purpose of carrying out the community redevelopment programs and plans within the area. Through Ordinance 95-14, the City established the Greater Downtown TIF District Fund to account for all transactions generated by this special revenue fund. In 2006, the City of Tavares expanded the TIF District in accordance with Chapter 163 of the Florida Statutes designating the expanded area, and passed Ordinance Number 2006-24 which established the expanded Community Redevelopment Trust and obligating the trust to implement the City of Tavares Greater Downtown Redevelopment Plan Update.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest 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. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)***

All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following funds:

Major Governmental Funds

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *Infrastructure Special Revenue Fund* was established to account for the proceeds of the Local Government Infrastructure Surtax. The proceeds and interest accrued thereto, by law, are only to be used to finance, plan and construct infrastructure.

The *Greater Downtown TIF District Fund* was established to account for incremental ad valorem tax revenues collected within the related redevelopment area. Trust Fund Revenues are used to fund projects designed to enhance and improve the district.

The *Capital Projects Fund* is used to account for acquisition and construction activity for large-scale projects of the General Fund. In the fiscal year ended September 30, 2009, the City continued a major sea plane base project at Downtown Wooton Park and also continued street paving projects for those areas of the City without improved City streets.

Non-Major Governmental Funds

Special Revenue Funds account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal and interest on certain long-term debt.

Major Proprietary Funds

Water and Sewer Fund is used to account for the operations of the City's water and sewer system, which is financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

Sanitation Fund is used to account for the fiscal activities of the City's refuse collection and disposal operation.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)***

Non-Major Proprietary Fund

Stormwater Fund (Enterprise Fund) is used to account for the fiscal activities of the City's stormwater drainage operations, as well as the funding and payment of related debt.

Fiduciary Funds

Pension Trust Funds account for activities of police officers', firefighters' and general employees' retirement plans, which accumulate resources for pension benefit payments of qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's water and sewer function 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water, sewer, sanitation and stormwater utility funds are charges to customers for sales and services. The City also recognizes as operating revenue the meter fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the City are reported at fair value. The City's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes. The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, deposit and investment risk disclosures. The effect of this statement is the inclusion of new disclosures for deposit and investment risks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles. The County bills and collects property taxes and remits them to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables.

All property is reassessed according to its fair value on the lien date, or January 1 of each year. Taxes are levied on October 1 of each year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. On or about May 31 following the tax year, certificates are sold for all delinquent taxes on real property.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Assets so designated are identified as restricted assets on the balance sheet.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City, in accordance with Chapter 274.02, Florida Statutes, as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure acquired prior to October 1, 2003 has not been recorded for governmental activities. GASB Statement No. 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year (October 1, 2003).

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Capital Assets (Continued)

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	15-50
Infrastructure	30-50
Equipment	3-15

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. Only 25% of sick pay earned is accrued. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For governmental activities, compensated absences are generally liquidated by the general fund.

7. Post Retirement Benefits

The City offers continuation of health, dental, and life insurance benefits to retired employees and eligible dependents. Benefits are offered within the requirements of Florida Statute 112, whereas claim experience is comingled with that of active employees, but retired employees pay the full cost of employer premiums for participation.

8. Long-Term Obligations

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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Long-Term Obligations (Continued)

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements:

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,380,077 difference are as follows:

Capital Outlay	\$ 2,499,574
Depreciation expense	<u>(1,119,497)</u>
Net Adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 1,380,077</u>

Another element of that reconciliation states that “the pension assets resulting from contributions in excess of the annual contribution in previous years are not financial resources and therefore not reported in the funds.” However, in the statement of activities, these assets reduce expenditures allocated to the respective functions, and increase net assets for the respective contributing fund. The details of this \$119,229 difference are as follows:

Net Pension Asset	<u>\$ 119,229</u>
Net Adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 119,229</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements (Continued):

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net assets. The details of this \$845,963 difference are as follows:

Debt issued or incurred:	
Capital lease	\$ -
Interest Payable (net change)	-
Principal repayment	<u>845,963</u>
 Net adjustment to increase <i>net changes in fund balances - total</i> governmental funds to arrive at <i>changes in net assets of</i> <i>governmental activities</i>	 <u>\$ 845,963</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds.” The details of this difference are as follows:

Compensated absences	\$ (163,851)
Other post employment benefits	<u>\$ (33,130)</u>
 Net adjustment to decrease <i>net changes in fund balances - total</i> governmental funds to arrive at <i>changes in net assets of</i> <i>governmental activities</i>	 <u>\$ (196,981)</u>

Note 3 – Stewardship, Compliance, and Accountability:

A. Excess of Expenditures over Appropriations

Three individual funds, the forfeiture fund, the infrastructure sales tax special revenue fund, and the debt service fund contained excess expenditures over appropriations during the fiscal year ended September 30, 2009. The expended amounts in excess of appropriations for the forfeiture fund were due to expenditures that were re-classified at September 30th. Amounts in excess of appropriations for the debt service and infrastructure sales tax funds were due to timing differences for debt service payments due October 1, 2009.

Within various departments, there were some excess of expenditures over appropriations at the legal level of budgetary control. The amounts of these excesses of expenditures over appropriations at the legal level of budgetary control are included in a separate budgetary report.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 3 – Stewardship, Compliance, and Accountability (Continued):

B. Appropriations in Excess of Funds Available

During the reporting period one fund, police forfeitures, experienced appropriations in excess of revenue and prior years' fund balance. Actual expenditures did not exceed the fund's available fund balance.

C. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the end of the fiscal year, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them. Budgets are adopted for all funds except pension trust funds and permanent funds.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1st, the budget is legally enacted through passage of a resolution.
4. The City cannot legally exceed the budget and any revisions that alter expenditures must be approved by the City Council. All annual appropriations lapse at year-end. The City Council may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenues. During fiscal year 2009, the City made several amendments to the budget.
5. The City cannot legally exceed the budget; however, at any time during the year, the City Council may transfer part or all of any unencumbered appropriation balance among programs within a department and transfer part or all of any unencumbered appropriation balance from one department to another. The City Administrator may not amend the budget without the approval of the City Council. The legal level of budgetary control is at the individual expenditure account (as detailed in the budget), e.g., salaries, general operating supplies, engineering services, etc., since the City Council must approve any over-expenditures of appropriations or transfers of appropriated amounts between line items. Individual fund comparisons at the legal level of budgetary control are included in a separate budgetary report which is available from the Finance Department.
6. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year.
7. Budgets are adopted for the general fund, special revenue funds, capital project fund, and debt service fund on a basis consistent with generally accepted accounting principles. Budgets are also adopted for the enterprise funds; however, this data is not presented under generally accepted accounting principles.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 4 – Deposits and Investments:

A. Deposits

At year end, the carrying amount of the City's deposits was \$340,285 and the bank balance was \$21,669,120. Petty cash funds and working cash for cashier operations of \$835 is not on deposit with a financial institution. Fiduciary fund cash of \$11,194 held by the pension fund is not in the City's bank. All bank deposits were covered by Federal Depository Insurance or held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. This limits local government deposits to "qualified depositories." The State of Florida Collateral Pool is a multiple financial institution pool with the ability to assess its members for collateral shortfalls if a member institution fails. For this reason the City considers its deposits insured or collateralized.

B. Investments

The City's investment policies, except for the pension fund assets, are governed by state statutes and city ordinances. City ordinance allows investments in any financial institution that is formally authorized as a state approved depository for public funds, as identified on the list prepared by the State Treasurer of the State of Florida. The allowable investment instruments include the following:

1. The State Board of Administration Local Government Surplus Funds Trust Fund;
2. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government;
3. Interest-bearing time deposits or savings accounts in banks organized under the laws of this state, in national banks organized under the laws of the United States and doing business and situated in this state, in savings and loan associations which are under state supervision, or in federal savings and loan associations located in this state and organized under federal law and federal supervision;
4. Obligations of the federal farm credit banks; the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association; or
5. Obligations of the Federal National Mortgage Association, including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 4 – Deposits and Investments (Continued):

B. Investments (Continued)

Most of the City’s investments besides pension funds are invested in Repurchase Agreements and in the SBA, an investment pool administered by the State of Florida

Investments held in the State Board of Administration Fund (SBA) consist of short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements of a 2a-7 like pool for the A fund and the fair value of the position in the pool is equal to the fair value of the statements. The “B” Fund is accounted for as a fluctuating NAVPOOL, not a 2a-7 like money market fund. It is important to note that due to lack of an actively traded market for the B Fund securities, their “market value” is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. Investment income is recognized as earned and is allocated to the participating funds based on their equity participation.

Investments made by the City of Tavares as of September 30, 2009 are summarized below. Defined benefit pension plan investments are included below. Investments are reported at fair value in accordance with GASB 31.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average Maturity (Years)</u>
State Board of Administration Fund - A Fund	6,522,303	AAAm	33
State Board of Administration Fund - B Fund	181,204	Not Rated	7-9 yrs
Repurchase Agreements	21,669,120	Unrated	<90 days
Pension Funds			
SunTrust Equities	1,433,280	N/A	N/A
Exchange Traded Funds	569,609	N/A	N/A
Common & Collective Funds - CTF Equities	2,282,637	N/A	N/A
Common & Collective Funds - Fixed Income	3,413,228	TSY	6.0
Other Pension Mutual Funds	1,328,225	N/A	N/A

Credit Risk

The City’s investment policy limits credit risk by restricting authorized investments to those described above. Also, the policy requires that investments held are to be diversified to the extent practicable to control the risk of loss resulting from over concentration of assets in a specific maturity, issued instrument, dealer or bank through which financial instruments are bought and sold.

Interest Rate Risk

The Policy limits the investment of current operating funds to 24 months. Investments of bond reserves, construction funds, and other nonoperating funds (core funds) may be

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 4 – Deposits and Investments (Continued):

B. Investments (*Continued*)

invested for a term appropriate to the liquidity needs and in accordance with debt covenants, but not to exceed 60 months.

Concentration of Credit Risk

The policy establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. The policy sets forth parameter limits for each investment type as well as limits for each individual issuer for each investment type. The Policy allows 100% of available funds to be invested in the SBA or in United States Government Securities.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that, in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2009, all the City's bank deposits were in qualified public depositories.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession an outside party. The City has no investments subject to custodial credit risk.

Note 5 – Receivables:

Receivables as of year end for the City's individual major funds and nonmajor funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible</u>	<u>Total</u>
General Fund	\$ 251,847	\$ (48,017)	\$ 203,830
Greater Downtown TIF	19,550	(19,500)	50
Water & sewer	647,476	(54,187)	593,289
Sanitation fund	230,624	(6,253)	224,371
Nonmajor enterprise	51,364	(1,626)	49,738
Total	<u>\$ 1,200,861</u>	<u>\$ (129,583)</u>	<u>\$ 1,071,278</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 6 – Capital Assets:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,407,436	\$ -	\$ -	\$ 2,407,436
Construction in progress	1,399,608	2,082,943	-	3,482,551
Total capital assets, not being depreciated:	<u>3,807,044</u>	<u>2,082,943</u>	<u>-</u>	<u>5,889,987</u>
Capital assets, being depreciated:				
Buildings	4,105,264	11,317	(45,507)	4,071,074
Improvements/Infrastructure	8,196,324	91,029	-	8,287,353
Machinery and equipment	6,562,795	314,285	(226,275)	6,650,805
Total capital assets, being depreciated:	<u>18,864,383</u>	<u>416,631</u>	<u>(271,782)</u>	<u>19,009,232</u>
Less accumulated depreciation				
Buildings	(1,356,186)	(101,774)	2,275	(1,455,685)
Improvements/Infrastructure	(613,177)	(275,357)	-	(888,534)
Machinery and equipment	(3,761,946)	(742,366)	194,088	(4,310,224)
Total accumulated depreciation	<u>(5,731,309)</u>	<u>(1,119,497)</u>	<u>196,363</u>	<u>(6,654,443)</u>
Total capital assets, being depreciated:	<u>13,133,074</u>	<u>(702,866)</u>	<u>(75,419)</u>	<u>12,354,789</u>
Governmental activities assets, net	<u>\$ 16,940,118</u>	<u>\$ 1,380,077</u>	<u>\$ (75,419)</u>	<u>\$ 18,244,776</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 6 – Capital Assets (Continued):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 388,346	\$ -	\$ -	\$ 388,346
Construction in progress	1,142,639	1,730,832	-	2,873,471
Total capital assets, not being depreciated	<u>1,530,985</u>	<u>1,730,832</u>	<u>-</u>	<u>3,261,817</u>
Capital assets, being depreciated:				
Buildings & improvements	43,915,698	200,873	-	44,116,571
Machinery and equipment	3,650,737	378,346	(95,268)	3,933,815
Total capital assets, being depreciated	<u>47,566,435</u>	<u>579,219</u>	<u>(95,268)</u>	<u>48,050,386</u>
Less accumulated depreciation for:				
Buildings & improvements	(14,933,932)	(1,491,825)	767	(16,424,990)
Machinery and equipment	(2,140,107)	(390,675)	82,285	(2,448,497)
Total accumulated depreciation	<u>(17,074,039)</u>	<u>(1,882,500)</u>	<u>83,052</u>	<u>(18,873,487)</u>
Total capital assets, being depreciated, net	<u>30,492,396</u>	<u>(1,303,281)</u>	<u>(12,216)</u>	<u>29,176,899</u>
Business-type activities capital assets, net	<u>\$ 32,023,381</u>	<u>\$ 427,551</u>	<u>\$ (12,216)</u>	<u>\$ 32,438,716</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 147,167
Public safety	449,191
Physical environment	233,735
Economic Development	276
Culture and recreation	289,128
Total depreciation expense - governmental activities	<u>\$ 1,119,497</u>
Business-type activities:	
Water & sewer	\$ 1,741,785
Sanitation	88,188
Stormwater	52,527
Total depreciation expense - business-type activities	<u>\$ 1,882,500</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 7 – Long-Term Debt:

A. Bonds Payable

The City issues bonds to provide funds for the acquisition and construction of major capital assets. Bonds have been issued for both governmental and business-type activities. The original amount of revenue bonds issued in prior years is described below.

Revenue bonds outstanding at year end are as follows:

	<u>Interest Rates and Dates</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2009</u>
Business-type activities:				
Water and Sewer Revenue and Refunding Bonds, Series 2000	4.4 - 5.25% (10/1 & 4/1)	10/1/2000 12/1/2030	<u>\$4,705,000</u>	\$ 4,705,000
Water and Sewer Revenue and Refunding Bonds, Series 2002	4.77% (10/1 & 4/1)	10/1/2002 to 12/1/2012	<u>\$2,205,000</u>	<u>845,000</u> <u>\$5,550,000</u>

Year ending September 30,	<u>Business -Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 200,000	\$ 276,255
2011	205,000	285,890
2012	215,000	266,150
2013	385,000	255,575
2014	170,000	247,575
2015-2019	1,000,000	1,093,087
2020-2024	1,290,000	793,362
2025-2029	1,690,000	397,101
2030-2031	395,000	21,725
	<u>\$ 5,550,000</u>	<u>\$ 3,636,720</u>

The City of Tavares Water and Sewer Revenue Bonds, Series 2000, are secured by net revenues from the water and sewer utility. The total principal and interest remaining to be paid on this series is \$8,280,150. For the fiscal year, principal and interest paid on this series was \$229,715, and total pledged revenue was \$1,406,684.

The City of Tavares Water and Sewer Revenue Bonds, Series 2002, are secured by net revenues from the water and sewer utility. The total principal and interest remaining to be paid on this series is \$906,570. For the fiscal year, principal and interest paid on this series was \$225,570, and total pledged revenue was \$1,406,684.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 7 – Long-Term Debt - (Continued):

B. Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of several light and heavy vehicles such as a fire truck, police cars, refuse trucks, tractors and trailers, as well as office equipment. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets -		
Vehicles	\$ 1,292,503	\$ 617,134
Machinery and equipment	233,805	195,843
Less: accumulated depreciation	(997,510)	(673,640)
Total	<u>\$ 528,798</u>	<u>\$ 139,337</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2010	\$ 44,624	\$ 45,924
2011	44,624	-
2012	44,624	-
2013	-	-
Total minimum lease payments	<u>133,872</u>	<u>45,924</u>
Less: amount representing interest	(9,061)	(552)
	<u>\$ 124,811</u>	<u>\$ 45,372</u>

C. Notes Payable

During the prior fiscal year, the City issued debt totaling \$8.9 million. \$7.4 million is secured by pledged Utility Tax revenues. Debt proceeds were used in the current reporting period to finance the City of Tavares Wooton Park Sea Plane Base/Marina Project and the City of Tavares Street Paving Project for unpaved City streets. As of September 30, 2009, a total of \$1,918,953 of project expenditures had been expended for both projects. It is anticipated that the Wooton Park Project will be completed in March 2010.

On September 21, 2009, the City executed State Revolving Loan/ARRA agreement DW350301 for upgrades to city water treatment plants and for construction of a new water storage tank. The agreement provides total funding in the amount of \$2,456,205. Of this amount, \$2,084,884 will be forgiven. The loan period is 20 years with an interest rate of 2.92. As of September 30th, no loan draws had been received.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 7 – Long-Term Debt (Continued):

C. Notes Payable (Continued)

Notes payable outstanding at year end is as follows:

	Governmental Activities					Business-Type
	Sales Tax Revenue Note Series 2003	Public Improvement Revenue Refunding Note Series 2002	Fire Station Series 2002	Capital Improvement Revenue Note Series 2008	Capital Improvement Revenue Note Series 2008	State Revolving Loan
Original amount issued	\$ 6,000,000	\$ 1,280,000	\$ 950,000	\$ 7,400,000	\$ 1,500,000	\$ 14,706,596
Issue date	07/22/2003	12/06/2002	08/08/2002	2/4/2008	5/23/2008	04/02/2002
Final maturity	10/01/2016	10/01/2012	11/01/2012	2/1/2028	10/1/2027	12/15/2035
Interest due	10/01 & 04/01	10/01 & 04/01	11/01 & 05/01	2/01 & 8/01	10/01 & 04/01	06/15 & 12/15
Interest rate	3.717%	4.03%	4.33%	4.04%	3.99%	2.15%-3.07%
Balance 09/30/09	\$ 3,820,000	\$ 435,000	\$ 420,000	\$ 7,400,000	\$ 1,446,000	\$ 13,351,767

Debt service requirements for the above notes payable at September 30, 2009 are:

Year Ending September 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 1,051,000	\$ 528,743	\$ 384,554	\$ 294,300
2011	1,089,000	487,447	393,107	285,747
2012	1,131,000	444,555	401,853	277,001
2013	1,018,000	400,134	410,796	268,058
2014-2018	941,000	360,315	419,940	258,914
2019-2023	3,321,000	1,297,349	2,244,240	1,150,030
2024-2028	2,597,000	757,846	2,505,826	888,443
2029-2033	2,373,000	195,880	2,798,323	595,947
2034-2035	-	-	3,793,128	279,995
	<u>\$ 13,521,000</u>	<u>\$ 4,472,269</u>	<u>\$ 13,351,767</u>	<u>\$ 4,298,435</u>

The Infrastructure Sales Tax Revenue Note, Series, 2003 is secured by Infrastructure Sales tax revenues. The total principal and interest remaining to be paid on this series is \$4,407,107. For the fiscal year, principal and interest paid on this series was \$629,159, and total pledged revenue was \$1,008,002.

The Public Improvement Revenue Refunding Note, Series 2003 is secured by franchise fee revenues. The total principal and interest remaining to be paid on this series is \$470,464. For the fiscal year, principal and interest paid on this series was \$157,971, and total pledged revenue was \$1,010,408.

The Fire Station Note (Capital Improvement Revenue Note 2002), Series 2002 is secured by requirement to budget and appropriate from legally available non ad valorem revenues in each fiscal year the amounts needed for annual payments of principal and interest. The total principal

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 7 – Long-Term Debt (Continued):

C. Notes Payable (Continued)

and interest remaining to be paid on this series is \$466,114. For the fiscal year, principal and interest paid on this series was \$111,827.

The Capital Improvement Revenue Bond, Series 2008 (\$7,400,000) is secured by utility tax revenues. The total principal and interest remaining to be paid on this series is \$10,594,630. For the fiscal year, principal and interest paid on this series was \$298,960, and total pledged revenue was \$1,135,095.

The Capital Improvement Revenue Note, Series 2008 (\$1,500,000) is secured by requirement to budget and appropriate from legally available non ad valorem revenues in each fiscal year the amounts needed for annual payments of principal and interest. The total principal and interest remaining to be paid on this series is \$2,054,954. For the fiscal year, principal and interest paid on this series was \$113,850.

D. Changes in Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital Lease	\$ 216,773	\$ -	\$ (91,963)	\$ 124,810	\$ 104,315
Notes payable					
Capital improvement	\$ 7,400,000	\$ -	\$ -	7,400,000	\$ 265,000
Capital improvement	1,500,000	-	(54,000)	1,446,000	54,000
Sales tax	4,290,000	-	(470,000)	3,820,000	470,000
Public improvement	570,000	-	(135,000)	435,000	135,000
Fire station	515,000	-	(95,000)	420,000	100,000
Total notes payable	14,275,000	-	(754,000)	13,521,000	1,024,000
Other post employment benefits	-	33,130	-	33,130	-
Compensated absences	344,942	201,240	(37,389)	508,793	42,399
Governmental activity long-term liabilities	\$ 14,836,715	\$ 234,370	\$ (883,352)	\$ 14,187,733	\$ 1,170,714
Business-type activities:					
Bonds payable -					
Revenue bonds	\$ 5,740,000	\$ -	\$ (190,000)	\$ 5,550,000	\$ 200,000
Less deferred amount:					
Issuance discount	(57,136)	-	2,607	(54,529)	-
Loss on defeasance	(32,525)	-	8,485	(24,040)	-
Total bonds payable	5,650,339	-	(178,908)	5,471,431	200,000
Capital lease	186,185	-	(140,813)	45,372	45,372
State revolving loans	13,727,955	-	(376,188)	13,351,767	384,554
Other post employment benefits	-	7,512	-	7,512	-
Business-type activity long term liabilities	\$ 19,564,479	\$ 7,512	\$ (695,909)	\$ 18,876,082	\$ 629,926

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 7 – Long-Term Debt (Continued):

A. Changes in Long-Term Liabilities (Continued):

During the reporting period, the bond insurers who insure the City's bond issues suffered rating downgrades resulting in an equivalent downgrade of the insured rating on the City's bonds. The City's own rating did not change during the period. The City, as required by Securities and Exchange Commission Rule 15c2-12, provided the appropriate notices of such Bond Insurer rating downgrades to the National Repositories.

Note 8 – Conduit Debt:

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2009 there was an aggregate principal amount of \$1,000,000,000 authorized to be issued; however, no bonds have been issued.

The City of Tavares approved the issuance of Industrial Development Bonds to provide financial assistance to the private-sector entity, Lifestream Behavioral Center, Inc., in an amount not to exceed \$7,000,000 for the purpose of financing the acquisition and construction of a residential treatment facility deemed to be in the public interest. The City is not obligated in any manner for the repayment of the bonds.

Note 9 – Interfund Receivables, Payables and Transfers:

The composition of due to/from other funds at September 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Grant fund	\$348,071

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. These balances also include the amount of working capital loans that the General Fund expects to collect in the subsequent fiscal year.

The amounts payable to the General Fund relate to disbursements made on behalf of the grant fund near the end of the fiscal year. Balances are expected to be collected in these funds and reimbursed to the general fund in the subsequent year.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 9 – Interfund Receivables, Payables and Transfers (continued):

Interfund transfers for the year ended September 30, 2009 consisted of the following:

	General Fund	Transfer in Nonmajor Governmental Funds	Total
Transfer Out:			
General fund	\$ -	\$ 572,173	\$ 572,173
Nonmajor governmental funds	-	-	-
Water & sewer Fund	1,047,348	-	1,047,348
Sanitation fund	552,325	-	552,325
Nonmajor business-type funds	173,045	-	173,045
Total	\$ 1,772,718	\$ 572,173	\$ 2,344,891

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) move receipts restricted to debt service from the funds as debt service payments become due. Transfers amounts reflect charges to proprietary funds in lieu of taxable collections on real property owned by the utility. In addition operating transfers are recorded to reimburse the general government for services provided on behalf of the proprietary funds.

Note 10 – Retirement Plans:

The City maintains two separate single-employer, defined benefit pension plans for full-time police officers and for full-time firefighters and a defined contribution pension plan for the general employees, which are included as part of the City’s reporting entity in Pension Trust Funds. These pension plans do not issue stand-alone financial reports. In fiscal year 2006, the City implemented participation in the Florida Retirement System (FRS) for general employees and discontinued participation for all new hires to the general employees defined contribution plan.

A. Defined Benefit Plans

Funding Policy The Police Officers’ (POPP) and Firefighters’ (FPP) Pension Plans funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments, thereto. The Statutes provide, in general, that funds are to be accumulated from Plan members, City contributions, and State contributions from the State of Florida, FS § 175 and FS § 185. The payments received from the State on behalf of each plan are recorded as on behalf receipts and disbursements in the General Fund.

The contribution requirements of the City for the POPP and the FPP are established by ordinance, and may be amended by the City Council. The City is required to contribute at an actuarially determined rate of covered compensation, but not less than 5%; Employee

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 10 – Retirement Plans (continued):

contributions are required and are set by ordinance and may be amended by the City Council. Current year contribution details are provided below for each plan.

Basis of accounting The financial statements of the POPP and the FPP are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. Plan benefits exceed minimum benefits established under Florida Statutes, Chapter 185 and 175 respectively. The City of Tavares City Council appoints a board of trustees to administer the pension trust funds. The board of trustees may not amend any provisions of the pension plans without the approval of the City Council. The plans are included as part of the City's reporting entity in Pension Trust Funds.

Method used to value investments Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value. Administrative costs for plan assets are included within investment earnings for each plan.

The following information provides information specific to each of the City's defined benefit plans

1. Police Officers' Pension Plan

Plan description The Police Officers' Pension Plan is a single employer defined benefit plan that covers all sworn police officers of the City of Tavares. All full-time police officers are eligible to participate in the plan upon employment. The plan provides retirement, disability, and death benefits to all plan members and their beneficiaries. The plan also provides for an automatic 2% annual cost-of-living increase. As of September 30th, active plan membership was 31. Retired, DROP, and terminated vested members totaled 8.

The following table provides a summary of benefits provided by the Police Officers' Pension Plan.

<u>Police Officers' Pension Plan - Normal Retirement Benefits</u>	
Eligibility	Full-time employment
Age/years of service - normal	Earlier of age 55 and 10 years of credited service, or 25 years of credited service regardless of age
Age/years of service - early	Age 50 and 10 years of credited service
Benefit - normal	three percent average compensation times credited service
Benefit - early	Accrued benefit, reduced by 2% for each year prior to normal retirement
Form of benefit	ten year certain and life annuity

Contributions The current contribution rate is 20.8 percent of covered payroll and includes State of Florida contributions of 5.1 percent; the current employee contribution rate is 12.8 percent of covered compensation.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 10 – Retirement Plans (continued):

A. Defined Benefit Plans (continued)

1. Police Officers' Pension Plan (continued)

Annual Pension Cost For fiscal year 2009, the City's annual pension cost was \$296,945 and the City's required contribution was \$298,916 for the Police Officers' Pension Plan. Actual contributions were \$337,123. The City's annual pension cost and net pension obligation to the Police Officers' Pension plan for the current year were as follows:

Police Officers' Pension Trust Net Pension Obligation - NPO	
Annual required contribution (ARC)	\$ 298,916
Interest credit	(11,163)
Adjustment to ARC	9,192
Annual pension cost	296,945
Contributions made	337,123
(Increase) decrease in net pension obligation	(40,178)
Net pension obligation (asset) at beginning of year	(139,542)
Net pension obligation (asset) end of year	\$ (179,720)

Three-year trend information for the Police Officers' Pension Plan is as follows:

City of Tavares Police Officers' Pension Plan Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2009	\$ 296,945	113.5%	\$ (179,720)
9/30/2008	291,739	109.6%	(139,542)
9/30/2007	249,804	124.3%	(111,500)

Funding Status and Funding Progress As of October 1, 2009, the most recent actuarial valuation date, the plan was 74.7 percent funded. The actuarial accrued liability for benefits was \$7,546,215, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,910,072. The covered payroll (annual payroll of active employees covered by the plan) was \$1,497,844, and the ratio of the UAAL to the covered payroll was 127.5 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 10 – Retirement Plans (continued):

A. Defined Benefit Plans (continued)

1. Police Officers’ Pension Plan (continued)

Actuarial Methods and Assumptions In the October 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases from 2 to 8 percent (including merit and cost of living adjustments), (c) 2 percent cost of living adjustments (benefits), and (d) 3 percent payroll growth. All assumptions included a 3 percent inflation component. The actuarial value of assets utilizes the average annual market value rate of return for the past four years. Additional adjustments are made to remain within 80 and 120 percent (upper and lower limits) of fair market value of plan assets. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets of the plan. The remaining amortization period at September 30, 2009, was 30 years.

2. Firefighters’ Pension Plan

Plan description The Firefighters’ Pension Plan is a single employer defined benefit plan that covers all firefighters of the City of Tavares. All fulltime firefighters are eligible to participate in the plan upon employment. The plan provides retirement, disability, and death benefits to all plan members and their beneficiaries. Cost of living increases for retiree benefits are not provided. As of September 30th, the plan’s active membership was 20 members. Total retired members and DROP members were 6.

The following table provides a summary of benefits provided by the Firefighters’ Pension Plan:

<u>Firefighters' Pension Plan - Normal Retirement Benefits</u>	
Eligibility	Full-time employment
Age/years of service - normal	Earlier of age 55 and 10 years of credited service or age 52 and 25 years of credited service
Age/years of service - early	Age 50 and 10 years of credited service
Benefit - normal	Three percent average compensation times credited service
Benefit - early	Accrued benefit, reduced by 5% for each year prior to normal retirement
Form of benefit	Ten year certain and life annuity
Years to vest	Ten years

Contributions The current contribution rate is 22 percent of covered payroll and includes contributions by the State of Florida of 6.3 percent. Employee contributions are required and are set by ordinance and may be amended by the City Council; the current employee contribution rate is 3.5% of covered compensation.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 10 – Retirement Plans (continued):

A. Defined Benefit Plans (continued)

2. Firefighters' Pension Plan (continued)

Annual Pension Cost For fiscal year 2009, the City's annual pension cost was \$255,629 and the City's required contribution was \$282,247 for the Firefighters' Pension Plan. Actual contributions were \$334,680. The City's annual pension cost and net pension obligation to the Firefighters' Pension plan for the current year were as follows:

Firefighters' Pension Plan Net Pension Obligation - NPO	
Annual required contribution (ARC)	\$ 258,884
Interest credit	(16,256)
Adjustment to ARC	13,001
Annual pension cost	<u>255,629</u>
Contributions made	<u>334,680</u>
(Increase) decrease in net pension obligation	(79,051)
Net pension obligation (asset) at beginning of year	<u>(203,198)</u>
Net pension obligation (asset) end of year	<u>\$ (282,249)</u>

Three-year trend information for the Firefighters' Pension Plan is as follows

City of Tavares Firefighter's Pension Plan Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2009	\$ 255,629	130.9%	\$ (282,249)
9/30/2008	201,578	142.8%	(203,198)
9/30/2007	106,168	151.3%	(116,879)

Funding Status and Funding Progress As of October 1, 2009, the most recent actuarial valuation date, the plan was 68.88 percent funded. The actuarial accrued liability for benefits was \$3,830,006, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,194,995. The covered payroll (annual payroll of active employees covered by the plan) was \$1,234,854, and the ratio of the UAAL to the covered payroll was 96.8 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 10 – Retirement Plans (continued):

A. Defined Benefit Plans (continued)

2. Firefighters' Pension Plan (continued)

Actuarial Methods and Assumptions In the October 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 7.5% percent (including merit and cost of living adjustments), (d) 3 percent payroll growth. All assumptions included a 3 percent inflation component. The actuarial value of assets utilizes the average annual market value rate of return for the past four years. Additional adjustments are made to remain within 80 and 120 percent (upper and lower limits) of fair market value of plan assets.

The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets of the plan. The remaining amortization period at September 30, 2009, was 30 years.

B. Defined Contribution Plans

General Employees Pension Plan

Plan Description The City of Tavares General Employees' Pension Plan is a single employer defined contribution pension plan established by the City of Tavares to provide benefits at retirement to general employees at the City. In a defined contribution pension plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2009, there were nine plan members. The City is required to contribute 6 percent of annual covered payroll of plan member covered payroll to the plan. Plan provisions and contribution requirements are established and may be amended by the City of Tavares City Council. New employees are not eligible to participate in this plan. All newly hired general employees are automatically enrolled in the Florida Retirement System (FRS).

Basis of Accounting The financial statements of the General Employees Pension Plan are prepared using the accrual basis of accounting. Employer contributions are recognized in the period that the contributions are due. The plan is included as part of the City's reporting entity in Pension Trust Funds

Method Used to Value Investments Plan investments are reported at fair value.

City of Tavares employer contributions for the General Employees Pension Plan for the current year were \$21,059.

C. Florida Retirement System

Plan Description City employees hired after April 1, 2006, participate in the Florida Retirement System ("System"), a cost-sharing multiple employer public employee retirement plan administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 10 – Retirement Plans (continued):

C. Florida Retirement System (continued):

Chapter 121, Florida Statutes establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

The System provides vesting of benefits after six (6) years of creditable service. Members are eligible for normal retirement after 6 years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken after completing 6 years of service; however, there is a five percent reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees. There is not a requirement for employees to contribute to the System; the employer pays all contributions. At September 30, 2009, 109 City employees were members of the FRS Plan.

The statutory contribution rates as a percent of earnings were as follows:

	10/1/2008 6/30/2009	7/1/2009 9/30/2009
Regular employees - members not qualifying for other classes	9.85%	9.85%
Deferred Retirement Option Program (DROP)	10.91%	10.91%
Senior Management -	13.12%	13.12%

Included in the above rates are the employer's contribution of 1.11% to the Health Insurance Subsidy, and 0.15% Investment Plan Fee for implementing the FRS Investment Plan (Public Employee Optional Retirement Program or (FEORP) and providing education services to FRS members for the 2008-2009 fiscal year.

Fiscal Year Ended	Required Contribution	Percent (%) Contributed
9/30/2009	\$ 460,919	100.00%

During the fiscal year, the System held no securities issued by the employer. For a stand-alone report of the Florida Retirement System, refer to the State of Florida Comprehensive Annual Financial Report.

Retirees with health insurance coverage who are participants in the Florida Retirement System are eligible for a Health Insurance Subsidy (HIS). The amount of the retiree's HIS monthly supplemental payment is based on service credit at retirement (\$5.00 for each year of service). The minimum monthly HIS subsidy is \$30 and the maximum monthly HIS subsidy is \$150.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 10 – Retirement Plans (Continued):

D. Individual Condensed Fiduciary Fund Statements

Individual statements of fiduciary net assets follow:

CITY OF TAVARES, FLORIDA			
<u>Individual Statement of Pension Fund Net Assets</u>			
Fiduciary Funds			
As of September 30, 2009			
	General Employees	Police Officers	Firefighters
Assets:			
Cash and cash equivalents	\$ -	\$ 11,194	\$ -
Investments:			
SunTrust equities	-	997,349	435,931
Exchange Traded Funds	-	390,203	179,406
Common & collective funds - CTF equities	-	1,585,815	696,822
Common & collective funds - fixed income	-	2,363,607	1,049,621
Other pension mutual funds	1,209,334	66,778	52,113
	<u>1,209,334</u>	<u>5,403,752</u>	<u>2,413,893</u>
Total investments	1,209,334	5,403,752	2,413,893
Total assets	<u>1,209,334</u>	<u>5,414,946</u>	<u>2,413,893</u>
Liabilities:			
Accounts payable	-	92,103	-
Net Assets Held in Trust For Pension Benefits			
	<u>\$ 1,209,334</u>	<u>\$ 5,322,843</u>	<u>\$ 2,413,893</u>

CITY OF TAVARES, FLORIDA				
<u>Individual Statement of Changes in Pension Fund Net Assets</u>				
Fiduciary Funds				
For the Year Ended September 30, 2009				
	General Employees	Police Officers	Firefighters	Totals
Additions:				
Contributions:				
Employer	\$ 21,059	\$ 260,112	\$ 257,065	\$ 538,236
Plan members	-	199,550	43,220	242,770
State	-	77,010	98,375	175,385
Total contributions	<u>21,059</u>	<u>536,672</u>	<u>398,660</u>	<u>956,391</u>
Investment income:				
Net increase in fair value	(11,362)	262,553	113,843	365,034
Interest	-	28,527	12,575	41,102
Less investment expense	-	(63,151)	(38,741)	(101,892)
Net investment income	<u>(11,362)</u>	<u>227,929</u>	<u>87,677</u>	<u>304,244</u>
Total additions	9,697	764,601	486,337	1,260,635
Deductions:				
Benefits/distributions	56,359	143,061	114,481	313,901
Total deductions	<u>56,359</u>	<u>143,061</u>	<u>114,481</u>	<u>313,901</u>
Change in Net Assets	(46,662)	621,540	371,856	946,734
Net Assets - Beginning	<u>1,255,996</u>	<u>4,701,303</u>	<u>2,042,037</u>	<u>7,999,336</u>
Net Assets - Ending	<u>\$ 1,209,334</u>	<u>\$ 5,322,843</u>	<u>\$ 2,413,893</u>	<u>\$ 8,946,070</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 11 – Other Post Employment Benefits:

Pursuant to Florida Statutes Section 112.0801, the city of Tavares makes continued group health insurance available through the city's current provider to retirees and eligible dependents provided that certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the city other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree. The City has chosen pay-as-you-go funding, but is recording the liability in the government wide financial statements. This plan does not issue stand-alone financial statements.

The first actuarial report for the City's Retiree Continuation Insurance plan was prepared as of October 1, 2007. As of the valuation date, the unfunded actuarial accrued liability (UAAL) for benefits was \$139,397. The covered payroll was \$6,381,264 and the ratio of UAAL to covered payroll was 2.2 percent.

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2009 is as follows:

City of Tavares - Other Post Employment Obligations	
Net OPEB Obligation	
Annual Required Contribution (ARC)	23,576
Interest	1,564
Adjustments to ARC	15,502
Total AOC	40,642
Contributions made	-
Change in NPO	40,642
Net OPEB obligation at September 30, 2009	40,642

Funding Policy: Under provisions of the Plan active employee premiums subsidize retiree premiums. Retirees pay the full cost of the subsidized health care premiums. The amount subsidized creates a liability to the City for the benefits provided. As of September 30, 2009, three retired employees continued health insurance coverage under the implicit rate subsidy plan provisions. The City finances the plan on a pay-as-you-go basis, and as of September 30, 2009 the City had not advance-funded the net OPEB obligation.

Annual OPEB cost and net OPEB obligation. The following table displays the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for 2009:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of APC Contributed	Net OPEB Obligation
9/30/2009	\$ 40,642	0.0%	\$ 40,642

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 11 – Other Post Employment Benefits (Continued)

The following table illustrates the effect of the implicit rate subsidy adjustment on the medical coverage costs for active employees and retired employees.

	Active Employees	Retired Employees	Total
Annual Medical Premiums Paid	\$ 1,328,902	\$ 16,328	\$ 1,345,230
Retiree Premiums Paid	N/A	(16,328)	(16,328)
Implicit Rate Subsidy	(4,467)	4,467	-
Adjustment due to GASB 43/45	N/A	15,854	15,854
Total Medical Benefit Cost	<u>\$ 1,324,435</u>	<u>\$ 20,321</u>	<u>\$ 1,344,756</u>

Funded Status and Funding Progress: As of October 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial assumptions included a 4.0% discount rate per annum. The actuarial accrued liability for Implicit Rate Subsidy benefits was \$139,397, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$139,397. The covered annual payroll for active participating employees was \$6,381,264 for fiscal year 2009, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.2%.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's initial OPEB actuarial valuation uses the entry age actuarial cost method to estimate the unfunded actuarial liability and to determine the annual required contribution. The actuarial assumptions included a payroll growth rate of 4.0 percent per year, and an annual healthcare cost trend rate of 7.0 percent initially for fiscal year 2009, reduced by .5% for fiscal year 2010, and 1% percent for 2011 with an ultimate rate of 4.5% for fiscal year ending September 30, 2012. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover each year's normal cost and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, normally presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2009

Note 11 – Other Post Employment Benefits (Continued)

actuarial accrued liabilities for benefits. The schedule of funding progress includes only one year so multi-year comparison is not available for the period.

Note 12 – Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters for which the City carries commercial insurance.

Risk of loss from the above is transferred by the City to commercial insurers for health and life insurance and to a risk management pool known as PRM for liability and other types of insurance. PRM is an insurance purchasing pool where several governments pool funds or resources to purchase commercial insurance. The City has been a member of the pool since October 1989 and retains a voting privilege on the Board of Directors.

The City has obtained excess insurance coverage with varying retentions and limits to further limit exposure to large losses. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage during the past three years.

Note 13 – Commitments and Contingencies:

Litigation

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2009. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not be materially affect the financial position of the City.

Note 14 – Other Disclosures:

Subsequent Events

The City has been very aggressive in its Economic Development endeavors. A major component for the City's Economic Development plan in the downtown core has been the construction of a Seaplane Base and Marina with Ship Store at its downtown lakefront park, Wooton Park. The City had hoped to secure private sector operators for Seaplane/Marina and Ship Store operations, but due to the current economic environment responses to the City's bid were minimal. As our City Administrator has extensive knowledge in airport management and operations, the City Council elected on February 17, 2010 to include Seaplane/Marina and air/ship store operations within the scope of City services and operations.



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REQUIRED SUPPLEMENTARY INFORMATION



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REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION PLANS

September 30, 2009

Schedule of Contributions from the Employer and Other Contributing Entities						
Year Ended September 30	Police Officers			Firefighters		
	Annual Required Contribution	Annual Actual Contribution	Percentage of ARC Contributed	Annual Required Contribution	Annual Actual Contribution	Percentage of ARC Contributed
2009	\$ 298,916	\$ 337,123	113%	\$ 258,884	\$ 334,680	129%
2008	293,314	319,781	109%	203,450	287,897	142%
2007	250,520	310,602	124%	105,355	160,140	152%
2006	222,777	265,104	119%	115,768	115,768	100%
2005	198,693	198,693	100%	105,849	101,615	96%
2004	134,717	142,389	106%	78,924	119,964	127%

City of Tavares Police Officers' Pension Fund Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age** (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2009	\$ 5,636,143	\$ 7,546,215	\$ 1,910,072	74.7%	\$ 1,497,844	127.5%
10/1/2008	5,064,108	6,640,033	1,575,925	76.3%	1,481,627	106.4%
10/1/2007	4,383,146	5,481,778	1,098,632	80.0%	1,517,893	72.4%
10/1/2006	3,603,657	4,965,949	1,362,292	72.6%	1,358,829	100.3%
10/1/2005	3,052,247	3,580,306	528,059	85.3%	1177654	44.8%
10/1/2004	2,677,799	3,160,682	482,883	84.7%	1118868	43.2%

City of Tavares Firefighters Pension Fund Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age** (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2009	\$ 2,635,011	\$ 3,830,006	\$ 1,194,995	68.8%	\$ 1,234,854	96.8%
10/1/2008	2,289,924	3,352,449	1,062,525	68.3%	1,108,800	95.8%
10/1/2007	1,966,020	2,752,817	786,797	71.4%	1,001,548	78.6%
10/1/2006	1,711,016	2,393,197	682,181	71.5%	823,089	82.9%
10/1/2004	1,342,321	1,342,321	-	100.0%	778,302	0.0%
10/1/2002	1,016,444	1,016,444	-	100.0%	540,260	0.0%

City of Tavares - Other Post Employment Benefits (OPEB)*

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age** (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2007	\$ -	\$ 139,397	\$ 139,397	0.0%	\$ 6,381,264	2.2%

Schedule of Contributions from Employers and Other Contributing Entities

Year Ended September 30	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
2009	\$ 40,642	\$ -	\$ 40,642

*Other post employment benefits (liability) were not reported prior to 2009



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CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION PLANS

September 30, 2009

City of Tavares Defined Pension Plans - Actuarial Assumptions

	<u>Police Officers</u>	<u>Firefighters</u>
Assumptions:		
Investment earnings*	8%	8%
Salary increase*	6%	7.50%
Cost of living adjustments	2%	n/a
Payroll growth	3%	3%
*includes inflation at 3%		
Mortality table	RP-2000 Combined & RP-2000 Disabled	RP-2000 Combined & RP-2000 Disabled
Retirement Age	When first eligible	When first eligible
Actuarial Valuation:		
Frequency	Annually	Annually
Cost Method	Entry age	Entry age
Amortization method	Level percent of pay closed	Level percent of pay closed
Amortization period	30 Smoothed market	30 Smoothed market

Actuarial Cost Method:

Both defined benefit plans use the entry age actuarial cost method. Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his age at hire to his assumed retirement age to fund his estimated benefits, assuming the Plan has always been in effect. The normal cost for the Plan is the sum of such amounts for all employees. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the plan is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the actuarial value of as of the Plan.



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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

Capital Project Funds

Capital Projects Fund	-	Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).
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CITY OF TAVARES, FLORIDA

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ 34,212	\$ -	\$ (34,212)
Total revenues	<u>-</u>	<u>34,212</u>	<u>-</u>	<u>(34,212)</u>
Expenditures:				
Current:				
Physical environment	-	239,100	-	239,100
Culture and recreation	7,000,000	5,779,103	1,512,598	4,266,505
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>7,000,000</u>	<u>6,018,203</u>	<u>1,512,598</u>	<u>4,505,605</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,000,000)</u>	<u>(5,983,991)</u>	<u>(1,512,598)</u>	<u>4,471,393</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(7,000,000)	(5,983,991)	(1,512,598)	4,471,393
Fund Balances - Beginning	8,569,809	8,569,809	8,569,809	-
Fund Balances - Ending	<u>\$ 1,569,809</u>	<u>\$ 2,585,818</u>	<u>\$ 7,057,211</u>	<u>\$ 4,471,393</u>



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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Police Training	-	Accounts for revenues received pursuant to Chapter 943.25, Florida Statutes. Funds must be used to educate and train law enforcement personnel.
Police Automation Technology	-	Accounts for grant funds collected and disbursements made to fund local law enforcement automation
Police Services Impact	-	Accounts for Police Impact fees collected and for disbursements made for the purpose of acquisition of facilities and equipment determined to be needed to provide police protection for new development within the City
Fire/Rescue Services Impact	-	Accounts for Fire Impact fees collected and disbursements made for the purpose of acquisition of facilities and equipment determined to be needed to provide fire protection for new development within the City
Police Forfeiture	-	Accounts for revenues derived from confiscated property which are used for law enforcement purposes.
Parks and Recreation Impacts	-	Accounts for Parks and Recreation Impact fees collected and disbursements made for the purpose of acquisition of facilities and equipment determined to be needed to provide parks and recreation services for new development within the City
Grant Fund	-	Accounts for grants received and disbursements made for restricted purposes

Debt Service Funds

Debt Service Fund	-	Accounts for accumulation of resources and payment of bond principal and interest from governmental resources
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Permanent Funds

Playground Fund	-	Accounts for funds designated for the benefit of recreation. The principal is nonexpendable.
Library Building Fund	-	Accounts for funds designated for the benefit of the library. Interest earned may be spent on the library

CITY OF TAVARES, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2009

	Special Revenue			
	Police Training	Police Automation Technology	Police Services Impacts	Fire/Rescue Services Impacts
Assets:				
Cash and cash equivalents	\$ 1,974	\$ 30,097	\$ 127,206	\$ 334,004
Cash with paying agent	-	-	-	-
Receivables, net	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,974</u>	<u>\$ 30,097</u>	<u>\$ 127,206</u>	<u>\$ 334,004</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 817	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	1,759	7,557
Matured bonds payable	-	-	-	-
Matured interest payable	-	-	-	-
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	-	817	1,759	7,557
Fund Balances:				
Reserved for debt service	-	-	-	-
Reserved for playground	-	-	-	-
Unreserved	1,974	29,280	125,447	326,447
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	1,974	29,280	125,447	326,447
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 1,974</u>	<u>\$ 30,097</u>	<u>\$ 127,206</u>	<u>\$ 334,004</u>

Special Revenue				
Police Forfeitures	Parks & Recreation Impacts	Grant Fund	Total	Debt Service Fund
\$ 4,976	\$ 40,411	\$ 75,069	\$ 613,737	\$ 338,910
-	-	-	-	-
-	-	-	-	-
-	-	447,869	447,869	-
-	-	-	-	-
<u>\$ 4,976</u>	<u>\$ 40,411</u>	<u>\$ 522,938</u>	<u>\$ 1,061,606</u>	<u>\$ 338,910</u>
\$ -	\$ -	\$ 168,109	\$ 168,926	\$ -
-	-	-	-	7,573
-	-	348,071	348,071	-
-	-	652	9,968	-
-	-	-	-	135,000
-	-	-	-	11,486
-	-	516,832	526,965	154,059
-	-	-	-	184,851
-	-	-	-	-
4,976	40,411	6,106	534,641	-
4,976	40,411	6,106	534,641	184,851
<u>\$ 4,976</u>	<u>\$ 40,411</u>	<u>\$ 522,938</u>	<u>\$ 1,061,606</u>	<u>\$ 338,910</u>

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CITY OF TAVARES, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2009

	Permanent Funds			Total Nonmajor Governmental Funds
	Playground Fund	Library Building Fund	Total	
Assets:				
Cash and cash equivalents	\$ 32,993	\$ 22,538	\$ 55,531	\$ 1,008,178
Cash with paying agent	-	-	-	-
Receivables, net	-	-	-	-
Due from other governments	-	-	-	447,869
Due from other funds	-	-	-	-
Total assets	\$ 32,993	\$ 22,538	\$ 55,531	\$ 1,456,047
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 168,926
Accrued liabilities	-	-	-	7,573
Due to other funds	-	-	-	348,071
Unearned revenue	-	20,926	20,926	30,894
Matured bonds payable	-	-	-	135,000
Matured interest payable	-	-	-	11,486
Total liabilities	-	20,926	20,926	701,950
Fund Balances:				
Reserved for debt service				184,851
Reserved for playground	32,993	-	32,993	32,993
Unreserved	-	1,612	1,612	536,253
Total fund balances	32,993	1,612	34,605	754,097
Total liabilities and fund balances	\$ 32,993	\$ 22,538	\$ 55,531	\$ 1,456,047

CITY OF TAVARES, FLORIDA

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For The Year Ended September 30, 2009

	Special Revenue			
	Police Training	Police Automation Technology	Police Services Impact	Fire/Rescue Services Impact
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	3,047	13,396	-	-
Impact fees/special assessments	-	-	50,673	94,772
Investment income	10	130	676	1,322
Total revenues	<u>3,057</u>	<u>13,526</u>	<u>51,349</u>	<u>96,094</u>
Expenditures:				
Current:				
Public safety	5,705	10,395	-	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>5,705</u>	<u>10,395</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,648)</u>	<u>3,131</u>	<u>51,349</u>	<u>96,094</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,648)	3,131	51,349	96,094
Fund Balances - Beginning	4,622	26,149	74,098	230,353
Fund Balances - Ending	<u>\$ 1,974</u>	<u>\$ 29,280</u>	<u>\$ 125,447</u>	<u>\$ 326,447</u>

Special Revenue				
Police Forfeiture	Parks & Recreation Impact	Grant Fund	Total	Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	447,718	447,718	-
6,487	-	-	22,930	-
-	4,840	-	150,285	-
20	208	-	2,366	929
<u>6,507</u>	<u>5,048</u>	<u>447,718</u>	<u>623,299</u>	<u>929</u>
6,844	-	1,000	23,944	-
-	-	126,590	126,590	-
-	7,600	320,467	328,067	-
-	-	-	-	-
-	-	-	-	230,000
-	-	-	-	338,758
<u>6,844</u>	<u>7,600</u>	<u>448,057</u>	<u>478,601</u>	<u>568,758</u>
<u>(337)</u>	<u>(2,552)</u>	<u>(339)</u>	<u>144,698</u>	<u>(567,829)</u>
-	-	-	-	572,173
-	-	-	-	-
-	-	-	-	<u>572,173</u>
(337)	(2,552)	(339)	144,698	4,344
5,313	42,963	6,445	389,943	180,507
<u>\$ 4,976</u>	<u>\$ 40,411</u>	<u>\$ 6,106</u>	<u>\$ 534,641</u>	<u>\$ 184,851</u>

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CITY OF TAVARES, FLORIDA

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For The Year Ended September 30, 2009

	Permanent Funds			Total Nonmajor Governmental Funds
	Playground Fund	Library Building Fund	Total	
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	447,718
Fines and forfeitures	-	-	-	22,930
Impact fees/special assessments	-	-	-	150,285
Investment income	285	202	487	3,782
Total revenues	<u>285</u>	<u>202</u>	<u>487</u>	<u>624,715</u>
Expenditures:				
Current:				
Public safety	-	-	-	23,944
Physical environment	-	-	-	126,590
Culture and recreation	988	463	1,451	329,518
Debt service:				
Principal retirement	-	-	-	230,000
Interest and fiscal charges	-	-	-	338,758
Total expenditures	<u>988</u>	<u>463</u>	<u>1,451</u>	<u>1,048,810</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(703)</u>	<u>(261)</u>	<u>(964)</u>	<u>(424,095)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	572,173
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,173</u>
Net Change in Fund Balances	(703)	(261)	(964)	148,078
Fund Balances - Beginning	33,696	1,873	35,569	606,019
Fund Balances - Ending	<u>\$ 32,993</u>	<u>\$ 1,612</u>	<u>\$ 34,605</u>	<u>\$ 754,097</u>



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**SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**



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CITY OF TAVARES, FLORIDA

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	-	-	-	-
Impact fees/special assessments	-	-	-	-
Investment income	-	1,332	929	(403)
Total revenues	-	1,332	929	(403)
Expenditures:				
Current:				
Public safety	-	-	-	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	230,000	95,000	230,000	(135,000)
Interest and fiscal charges	342,174	319,699	338,758	(19,059)
Total expenditures	572,174	414,699	568,758	(154,059)
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(572,174)</u>	<u>(413,367)</u>	<u>(567,829)</u>	<u>(154,462)</u>
Other Financing Sources (Uses):				
Transfers in	572,174	572,173	572,173	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>572,174</u>	<u>572,173</u>	<u>572,173</u>	<u>-</u>
Net Change in Fund Balances	-	158,806	4,344	(154,462)
Fund Balances - Beginning	180,507	180,507	180,507	-
Fund Balances - Ending	<u>\$ 180,507</u>	<u>\$ 339,313</u>	<u>\$ 184,851</u>	<u>\$ (154,462)</u>

CITY OF TAVARES, FLORIDA

POLICE TRAINING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	5,500	3,048	3,047	(1)
Impact fees/special assessments	-	-	-	-
Investment income	100	10	10	-
Total revenues	<u>5,600</u>	<u>3,058</u>	<u>3,057</u>	<u>(1)</u>
Expenditures:				
Current:				
Public safety	7,500	5,705	5,705	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>7,500</u>	<u>5,705</u>	<u>5,705</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,900)</u>	<u>(2,647)</u>	<u>(2,648)</u>	<u>(1)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,900)	(2,647)	(2,648)	(1)
Fund Balances - Beginning	4,622	4,622	4,622	-
Fund Balances - Ending	<u>\$ 2,722</u>	<u>\$ 1,975</u>	<u>\$ 1,974</u>	<u>\$ (1)</u>

CITY OF TAVARES, FLORIDA

POLICE AUTOMATION/TECHNOLOGY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	23,380	13,396	13,396	-
Impact fees/special assessments	-	-	-	-
Investment income	400	130	130	-
Total revenues	<u>23,780</u>	<u>13,526</u>	<u>13,526</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	20,000	10,395	10,395	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>20,000</u>	<u>10,395</u>	<u>10,395</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,780</u>	<u>3,131</u>	<u>3,131</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,780	3,131	3,131	-
Fund Balances - Beginning	26,149	26,149	26,149	-
Fund Balances - Ending	<u>\$ 29,929</u>	<u>\$ 29,280</u>	<u>\$ 29,280</u>	<u>\$ -</u>

CITY OF TAVARES, FLORIDA

POLICE SERVICES IMPACT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	-	-	-	-
Impact fees/special assessments	29,165	50,028	50,673	648
Investment income	500	1,163	676	(487)
Total revenues	29,665	51,191	51,349	158
Expenditures:				
Current:				
Public safety	-	-	-	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	29,665	51,191	51,349	158
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	29,665	51,191	51,349	158
Fund Balances - Beginning	74,098	74,098	74,098	-
Fund Balances - Ending	\$ 103,763	\$ 125,289	\$ 125,447	\$ 158

CITY OF TAVARES, FLORIDA

FIRE/RESCUE SERVICES IMPACT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	-	-	-	-
Impact fees/special assessments	62,450	93,564	94,772	1,208
Investment income	-	1,321	1,322	1
Total revenues	62,450	94,885	96,094	1,209
Expenditures:				
Current:				
Public safety	-	-	-	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	62,450	94,885	96,094	1,209
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	62,450	94,885	96,094	1,209
Fund Balances - Beginning	230,353	230,353	230,353	-
Fund Balances - Ending	\$ 292,803	\$ 325,238	\$ 326,447	\$ 1,209

CITY OF TAVARES, FLORIDA

POLICE FORFEITURES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	-	-	6,487	6,487
Impact fees/special assessments	-	-	-	-
Investment income	300	20	20	-
Total revenues	<u>300</u>	<u>20</u>	<u>6,507</u>	<u>6,487</u>
Expenditures:				
Current:				
Public safety	5,603	5,789	6,844	(1,055)
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>5,603</u>	<u>5,789</u>	<u>6,844</u>	<u>(1,055)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,303)</u>	<u>(5,769)</u>	<u>(337)</u>	<u>5,432</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(5,303)	(5,769)	(337)	5,432
Fund Balances - Beginning	5,313	5,313	5,313	-
Fund Balances - Ending	<u>\$ 10</u>	<u>\$ (456)</u>	<u>\$ 4,976</u>	<u>\$ 5,432</u>

CITY OF TAVARES, FLORIDA

PARKS AND RECREATION IMPACT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	-	-	-	-
Impact fees/special assessments	12,000	4,840	4,840	-
Investment income	1,000	208	208	-
Total revenues	<u>13,000</u>	<u>5,048</u>	<u>5,048</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Physical environment	-	-	-	-
Culture and recreation	30,000	17,300	7,600	9,700
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>30,000</u>	<u>17,300</u>	<u>7,600</u>	<u>9,700</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(17,000)</u>	<u>(12,252)</u>	<u>(2,552)</u>	<u>9,700</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(17,000)	(12,252)	(2,552)	9,700
Fund Balances - Beginning	42,963	42,963	42,963	-
Fund Balances - Ending	<u>\$ 25,963</u>	<u>\$ 30,711</u>	<u>\$ 40,411</u>	<u>\$ 9,700</u>

CITY OF TAVARES, FLORIDA

GRANT FUND SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	335,611	852,730	447,718	(405,012)
Fines and forfeitures	-	-	-	-
Impact fees/special assessments	-	-	-	-
Investment income	-	-	-	-
Total revenues	<u>335,611</u>	<u>852,730</u>	<u>447,718</u>	<u>(405,012)</u>
Expenditures:				
Current:				
Public safety	-	2,055	1,000	1,055
Physical environment	-	234,441	126,590	107,851
Culture and recreation	335,611	328,242	320,467	7,775
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>335,611</u>	<u>564,738</u>	<u>448,057</u>	<u>116,681</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>-</u>	<u>287,992</u>	<u>(339)</u>	<u>(288,331)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	287,992	(339)	(288,331)
Fund Balances - Beginning	6,445	6,445	6,445	-
Fund Balances - Ending	<u>\$ 6,445</u>	<u>\$ 294,437</u>	<u>\$ 6,106</u>	<u>\$ (288,331)</u>

FIDUCIARY FUNDS

Pension Trust Funds

- | | | |
|--|---|---|
| General Employees' Pension Trust Fund | - | Accounts for the accumulation of resources to be used for the retirement of all full-time employees, except police officers and firefighters. The City contributes an amount not less than 5% or not exceeding 15% of all eligible employees' compensation. |
| Police Officers Pension Trust Fund | - | Accounts for the accumulation of resources to be used for the retirement annuities of all police officers. The State contributes money based upon the number of police officers and the City contributes an amount determined by an actuarial study. |
| Firefighters Pension Trust Fund | - | Accounts for the accumulation of resources to be used for the retirement annuities of all firefighters. The State contributes money based upon the number of firefighters and the City contributes an amount determined by an actuarial study. |

CITY OF TAVARES, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

September 30, 2009

	<u>Pension Trust Funds</u>			
	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Totals</u>
Assets:				
Cash and cash equivalents	\$ -	\$ 11,194	\$ -	\$ 11,194
Investments:				
SunTrust equities	-	997,349	435,931	1,433,280
Exchange Traded Funds	-	390,203	179,406	569,609
Common & collective funds - CTF equities	-	1,585,815	696,822	2,282,637
Common & collective funds - fixed income	-	2,363,607	1,049,621	3,413,228
Other pension mutual funds	<u>1,209,334</u>	<u>66,778</u>	<u>52,113</u>	<u>1,328,225</u>
Total investments	<u>1,209,334</u>	<u>5,403,752</u>	<u>2,413,893</u>	<u>9,026,979</u>
Total assets	<u>1,209,334</u>	<u>5,414,946</u>	<u>2,413,893</u>	<u>9,038,173</u>
Liabilities:				
Accounts payable	<u>-</u>	<u>92,103</u>	<u>-</u>	<u>92,103</u>
Net Assets Held in Trust For Pension Benefits	<u><u>\$ 1,209,334</u></u>	<u><u>\$ 5,322,843</u></u>	<u><u>\$ 2,413,893</u></u>	<u><u>\$ 8,946,070</u></u>

CITY OF TAVARES, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For The Year Ended September 30, 2009

	Pension Trust Funds			
	General Employees	Police Officers	Firefighters	Totals
Additions:				
Contributions:				
Employer	\$ 21,059	\$ 260,112	\$ 257,065	\$ 538,236
Plan members	-	199,550	43,220	242,770
State	-	77,010	98,375	175,385
Total contributions	<u>21,059</u>	<u>536,672</u>	<u>398,660</u>	<u>956,391</u>
Investment income:				
Net increase in fair value	(11,362)	262,553	113,843	365,034
Interest	-	28,527	12,575	41,102
Less investment expense	-	(63,151)	(38,741)	(101,892)
Net investment income	<u>(11,362)</u>	<u>227,929</u>	<u>87,677</u>	<u>304,244</u>
Total additions	9,697	764,601	486,337	1,260,635
Deductions:				
Benefits/distributions	<u>56,359</u>	<u>143,061</u>	<u>114,481</u>	<u>313,901</u>
Total deductions	<u>56,359</u>	<u>143,061</u>	<u>114,481</u>	<u>313,901</u>
Change in Net Assets	(46,662)	621,540	371,856	946,734
Net Assets - Beginning	<u>1,255,996</u>	<u>4,701,303</u>	<u>2,042,037</u>	<u>7,999,336</u>
Net Assets - Ending	<u>\$ 1,209,334</u>	<u>\$ 5,322,843</u>	<u>\$ 2,413,893</u>	<u>\$ 8,946,070</u>



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**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**



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CITY OF TAVARES, FLORIDA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

For The Year Ended September 30, 2009

	<u>Land</u>	<u>Buildings</u>	<u>Improvements/ Infrastructure</u>	<u>Machinery/ Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
General Government	\$ 1,152,716	\$ 2,049,335	\$ -	\$ 1,214,590	\$ 5,112	\$ 4,421,753
Public Safety	65,937	1,000,877	6,216	3,097,015	4,604	4,174,649
Economic Dev	-	-	-	2,064	84,176	86,240
Physical Environment	-	2,917	6,484,501	1,055,718	704,870	8,248,006
Culture & Recreation	1,188,783	1,017,945	1,796,636	1,281,418	2,683,789	7,968,571
Total	<u>\$ 2,407,436</u>	<u>\$ 4,071,074</u>	<u>\$ 8,287,353</u>	<u>\$ 6,650,805</u>	<u>\$ 3,482,551</u>	<u>\$ 24,899,219</u>

	<u>Balance 9/30/2008</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance 9/30/2009</u>
General Government	\$ 4,279,215	\$ 161,748	\$ 19,210	\$ 4,421,753
Public Safety	4,223,869	58,281	107,501	4,174,649
Economic Dev	-	86,240	-	86,240
Physical Environment	8,817,266	474,310	1,043,570	8,248,006
Culture & Recreation	5,351,077	2,692,084	74,590	7,968,571
Total	<u>\$ 22,671,427</u>	<u>\$ 3,472,663</u>	<u>\$ 1,244,871</u>	<u>\$ 24,899,219</u>



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STATISTICAL SECTION



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STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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Operating Indicators by Function/Program	131

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

CITY OF TAVARES, FLORIDA

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year			
	2000	2001	2002	2003
Governmental activities				
Invested in capital assets, net of related debt	**	**	**	**
Restricted	**	**	**	**
Unrestricted	**	**	**	**
Total government activities net assets	**	**	**	**
Business-type activities				
Invested in capital assets, net of related debt	**	**	**	**
Restricted	**	**	**	**
Unrestricted	**	**	**	**
Total business-type activities net assets	**	**	**	**
Primary government				
Invested in capital assets, net of related debt	**	**	**	**
Restricted	**	**	**	**
Unrestricted	**	**	**	**
Total primary government net assets	**	**	**	**

Note: ** Data not available prior to GASB implementation in 2004

Fiscal Year					
2004	2005	2006	2007	2008	2009
\$ 3,681,282	\$ 3,279,495	\$ 4,669,978	\$ 8,934,374	\$ 2,448,345	\$11,503,013
169,097	211,443	330,686	443,735	8,892,713	559,256
3,782,568	7,371,687	8,664,451	6,680,746	5,892,606	4,528,925
<u>7,632,947</u>	<u>\$10,862,625</u>	<u>\$13,665,115</u>	<u>\$16,058,855</u>	<u>\$17,233,664</u>	<u>\$16,591,194</u>
\$12,711,881	\$12,899,590	\$12,008,907	\$12,217,957	\$12,458,902	\$13,570,146
3,267,117	3,473,860	3,473,963	3,879,231	3,560,828	4,263,939
5,117,288	6,842,877	10,534,843	11,606,473	12,308,051	10,986,019
<u>21,096,286</u>	<u>\$23,216,327</u>	<u>\$26,017,713</u>	<u>\$27,703,661</u>	<u>\$28,327,781</u>	<u>\$28,820,104</u>
\$16,393,163	\$16,179,085	\$16,678,885	\$21,152,331	\$14,907,247	\$25,073,159
3,436,214	3,685,303	3,804,649	4,322,966	12,453,541	4,823,195
8,899,856	14,214,564	19,199,294	18,287,219	18,200,657	15,514,944
<u>28,729,233</u>	<u>\$34,078,952</u>	<u>\$39,682,828</u>	<u>\$43,762,516</u>	<u>\$45,561,445</u>	<u>\$45,411,298</u>

CITY OF TAVARES, FLORIDA

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Expenses										
Governmental activities:										
General government	**	**	**	**	\$ 1,596,968	\$ 1,545,846	\$ 1,920,959	\$ 2,070,850	\$ 2,636,200	\$ 2,760,070
Public safety	**	**	**	**	3,151,377	3,418,213	3,740,687	5,062,429	5,210,828	5,967,840
Physical environment	**	**	**	**	1,727,790	1,419,048	1,622,968	1,450,968	2,423,147	2,099,378
Economic environment	**	**	**	**	**	**	**	**	\$ 474,877	421,225
Culture & recreation	**	**	**	**	1,286,432	1,408,810	1,957,263	2,284,356	1,649,694	2,447,157
Interest & other fiscal charges on long-term debt	**	**	**	**	343,173	297,182	282,156	260,827	536,771	565,029
Total governmental activities expenses	**	**	**	**	8,105,740	8,089,099	9,524,033	11,129,430	12,931,517	14,260,699
Business-type activities:										
Water & sewer	**	**	**	**	3,262,758	4,255,223	4,971,320	5,542,551	5,593,341	5,657,303
Sanitation	**	**	**	**	1,272,742	1,277,782	1,558,303	1,674,272	1,753,303	1,693,286
Stormwater	**	**	**	**	136,547	203,773	177,242	216,931	279,931	328,962
Total business-type activities expenses	**	**	**	**	4,672,047	5,736,778	6,706,865	7,433,754	7,626,575	7,679,551
Total primary government expenses	**	**	**	**	\$ 12,777,787	\$ 13,825,877	\$ 16,230,898	\$ 18,563,184	\$ 20,558,092	\$ 21,940,250
Program Revenues										
Governmental activities:										
Charges for services										
General government	**	**	**	**	\$ 422,354	\$ 99,011	\$ 59,457	\$ 75,698	\$ 65,955	\$ 58,531
Public safety	**	**	**	**	189,551	202,640	222,568	245,810	228,874	207,377
Physical environment	**	**	**	**	33,063	1,915,290	1,789,975	851,806	553,083	284,376
Economic environment	**	**	**	**	**	**	**	**	\$ 7,300	17,764
Culture & recreation	**	**	**	**	117,602	118,977	114,576	136,235	172,487	112,981
Operating grants and contributions	**	**	**	**	573,127	474,772	826,303	498,532	546,080	590,825
Capital grants and contributions	**	**	**	**	84,038	236,372	7,584	187,448	625,773	443,670
Total governmental activities program revenues	**	**	**	**	1,419,735	3,047,062	3,020,463	1,995,529	2,199,552	1,715,524

Fiscal Year

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Business-type activities:										
Charges for services:										
Water & Sewer	**	**	**	**	3,999,598	4,677,034	5,831,695	6,436,174	6,415,011	6,415,011
Sanitation	**	**	**	**	1,612,970	1,632,199	2,014,093	2,149,697	2,198,501	2,198,501
Stormwater	**	**	**	**	282,273	286,507	305,611	311,354	457,742	457,742
Operating grants and contributions	**	**	**	**	72,428	37,332	-	-	-	-
Capital grants and contributions	**	**	**	**	1,628,591	2,262,995	1,837,338	599,958	219,348	796,124
Total business-type activities program revenues	**	**	**	**	7,595,860	8,896,067	9,988,737	9,487,183	9,290,602	9,867,378
Total government program revenues	**	**	**	**	\$ 9,015,595	\$ 11,943,129	\$ 13,009,200	\$ 11,482,712	\$ 11,490,154	\$ 11,582,902
Net (expense)/revenue	-	-	-	-	-	-	-	-	-	-
Governmental activities	**	**	**	**	\$ (6,686,005)	\$ (5,042,037)	\$ (6,503,570)	\$ (9,133,901)	\$ (10,731,965)	\$ (12,545,175)
Business-type activities	**	**	**	**	2,923,813	3,159,289	3,281,872	2,053,429	1,627,947	2,187,827
Total government net expense	**	**	**	**	\$ (3,762,192)	\$ (1,882,748)	\$ (3,221,698)	\$ (7,080,472)	\$ (9,104,018)	\$ (10,357,348)

General Revenues and Other Changes in Net Assets

Governmental activities:										
Taxes										
Property taxes	**	**	**	**	\$ 2,112,025	\$ 2,358,043	\$ 2,781,480	\$ 3,877,431	\$ 4,880,954	\$ 5,387,080
Franchise and utility taxes	**	**	**	**	1,968,197	2,047,601	2,318,089	2,440,647	2,495,763	2,632,956
Intergovernmental	**	**	**	**	1,833,456	2,108,894	2,389,333	3,452,766	2,579,506	1,942,101
Investment earnings	**	**	**	**	181,566	474,267	776,602	638,466	167,850	167,850
Transfers	**	**	**	**	1,123,191	1,282,911	1,040,556	1,118,331	1,772,718	1,772,718
Total governmental activities	**	**	**	**	7,218,435	8,271,716	9,306,060	11,527,641	11,896,791	11,902,705
Business-type activities:										
Investment earnings	**	**	**	**	88,030	243,663	560,070	750,850	77,214	77,214
Transfers	**	**	**	**	(1,123,191)	(1,282,911)	(1,040,556)	(1,118,331)	(1,772,718)	(1,772,718)
Total business-type activities	**	**	**	**	(1,035,161)	(1,039,248)	(480,486)	(367,481)	(1,695,504)	(1,695,504)
Total government	**	**	**	**	\$ 6,183,274	\$ 7,232,468	\$ 8,825,574	\$ 11,160,160	\$ 10,201,287	\$ 10,207,201
Change in Net Assets										
Governmental activities	**	**	**	**	\$ 532,430	\$ 3,229,679	\$ 2,802,490	\$ 2,393,740	\$ 1,164,826	\$ (642,470)
Business-type activities	**	**	**	**	1,888,652	2,120,041	2,801,386	1,685,948	(67,557)	492,323
Total government	**	**	**	**	\$ 2,421,082	\$ 5,349,720	\$ 5,603,876	\$ 4,079,688	\$ 1,097,269	\$ (150,147)

Note: ** Data not available prior to GASB implementation in 2004

CITY OF TAVARES, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE¹
LAST TEN FISCAL YEARS

(accrual basis of accounting)

Fiscal Year	Property Taxes	Franchise Fees	Utility Taxes	Total Taxes
2000	1,186,606	487,812	895,244	2,569,662
2001	1,287,788	546,337	968,229	2,802,354
2002	1,419,198	495,174	1,114,774	3,029,146
2003	1,885,836	545,856	1,183,868	3,615,560
2004	2,112,025	671,245	1,258,094	4,041,364
2005	2,297,288	695,549	1,352,052	4,344,889
2006	2,666,288	845,013	1,473,076	4,984,377
2007	3,739,555	875,208	1,565,439	6,180,202
2008	4,624,235	907,612	1,588,150	7,119,997
2009	5,135,015	1,010,408	1,622,548	7,767,971

Note:

1. Table does not include shared tax revenues collected through intergovernmental revenues.



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CITY OF TAVARES, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General fund				
Reserved	\$ -	\$ -	\$ 794,258	\$ -
Unreserved	1,658,646	1,434,020	2,021,478	2,356,713
Total general fund	<u>\$ 1,658,646</u>	<u>\$ 1,434,020</u>	<u>\$ 2,815,736</u>	<u>\$ 2,356,713</u>
All other governmental funds				
Reserved	\$ 399,233	\$ 419,096	\$ 455,402	\$ 112,618
Unreserved, reported in:				
Special revenue funds	519,375	758,627	740,496	7,041,377
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total all other government funds	<u>\$ 918,608</u>	<u>\$ 1,177,723</u>	<u>\$ 1,195,898</u>	<u>\$ 7,153,995</u>

Fiscal Year					
2004	2005	2006	2007	2008	2009
\$ 1,236	\$ 3,370	\$ 2,344	\$ 5,038	\$ 6,851	\$ 4,765
2,493,622	4,338,499	5,457,407	4,174,174	3,163,338	1,979,038
<u>\$ 2,494,858</u>	<u>\$ 4,341,869</u>	<u>\$ 5,459,751</u>	<u>\$ 4,179,212</u>	<u>\$ 3,170,189</u>	<u>\$ 1,983,803</u>
\$ 169,097	\$ 211,443	\$ 330,952	\$ 475,695	\$ 354,727	\$ 437,473
5,769,219	5,312,172	3,464,535	2,729,220	2,740,750	2,641,910
-	-	-	-	8,569,809	7,057,211
1,099	1,708	1,927	2,382	1,873	1,612
<u>\$ 5,939,415</u>	<u>\$ 5,525,323</u>	<u>\$ 3,797,414</u>	<u>\$ 3,207,297</u>	<u>\$11,667,159</u>	<u>\$10,138,206</u>

CITY OF TAVARES, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year			
	2000	2001	2002	2003
<u>Revenues</u>				
Taxes	\$ 2,569,662	\$ 2,802,354	\$ 3,029,146	\$ 3,615,560
Licenses and permits	225,072	570,481	294,609	351,346
Intergovernmental	1,779,387	1,837,067	2,134,420	2,142,025
Charges for services	75,921	83,692	108,945	137,607
Fines and forfeitures	86,304	82,353	75,662	116,487
Impact fees/assessments	276,205	388,208	323,258	342,229
Investment earnings	176,830	164,676	69,624	78,229
Miscellaneous	120,987	90,639	209,787	157,474
Total Revenues	<u>5,310,368</u>	<u>6,019,470</u>	<u>6,245,451</u>	<u>6,940,957</u>
<u>Expenditures</u>				
General government	1,084,460	1,345,078	1,337,936	1,853,639
Public safety	2,010,723	2,283,531	2,592,886	3,390,547
Physical environment	1,067,613	1,229,696	1,430,212	1,382,992
Economic environment	-	-	-	-
Culture & recreation	1,208,853	1,283,354	1,500,048	1,325,058
Capital outlay ¹	9,909	-	-	-
Debt service				
Principal	282,923	298,090	308,890	766,616
Interest	135,295	121,440	106,541	162,161
Bond issuance costs	-	-	-	31,791
Total expenditures	<u>5,799,776</u>	<u>6,561,189</u>	<u>7,276,513</u>	<u>8,912,804</u>
Excess of revenues over (under) expenditures	(489,408)	(541,719)	(1,031,062)	(1,971,847)
<u>Other financing sources (uses)</u>				
Bond and note proceeds	-	-	-	7,280,000
Capital lease proceeds	-	-	1,281,849	527,157
Payment to refunded bond escrow agent	-	-	-	(1,238,296)
Transfers in	1,318,688	1,039,393	1,747,617	1,343,905
Transfers out	(513,743)	(433,615)	(598,513)	(441,845)
Total other financing sources (uses)	<u>804,945</u>	<u>605,778</u>	<u>2,430,953</u>	<u>7,470,921</u>
Net change in fund balances	<u>\$ 315,537</u>	<u>\$ 64,059</u>	<u>\$ 1,399,891</u>	<u>\$ 5,499,074</u>
Debt service as a percentage of noncapital expenditures	<u>7.79%</u>	<u>6.83%</u>	<u>6.05%</u>	<u>12.08%</u>

Note:

1. Capital outlay is reported within expenditure activity line items for years after 2000.

Fiscal Year					
2004	2005	2006	2007	2008	2009
\$ 4,080,222	\$ 4,405,644	\$ 5,099,570	\$ 6,318,078	\$ 7,376,717	\$ 8,020,036
404,390	1,950,426	1,825,939	891,925	594,510	326,424
2,403,987	2,909,579	3,223,219	4,138,746	3,751,360	2,976,596
135,566	142,103	138,070	155,752	178,355	142,389
131,237	87,757	99,372	161,784	71,279	61,931
58,314	111,977	123,195	100,088	183,554	150,285
118,898	264,883	557,181	518,555	331,009	48,503
95,731	209,384	219,421	119,911	189,512	119,347
<u>7,428,345</u>	<u>10,081,753</u>	<u>11,285,967</u>	<u>12,404,839</u>	<u>12,676,296</u>	<u>11,845,511</u>
2,427,036	1,650,822	1,888,047	2,316,117	2,505,907	2,622,842
3,109,638	3,619,397	3,795,701	5,485,795	5,558,519	5,565,968
1,679,720	2,091,293	4,530,057	4,343,445	3,025,680	2,431,626
-	-	-	-	595,986	424,454
1,283,160	1,566,123	1,989,992	2,198,206	2,771,300	3,877,686
-	-	-	-	-	-
683,246	706,927	757,993	789,436	811,151	845,963
343,173	297,183	282,156	260,827	486,944	565,029
-	-	-	-	-	-
<u>9,525,973</u>	<u>9,931,745</u>	<u>13,243,946</u>	<u>15,393,826</u>	<u>15,755,487</u>	<u>16,333,568</u>
(2,097,628)	150,008	(1,957,979)	(2,988,987)	(3,079,191)	(4,488,057)
108,816	-	-	-	8,900,000	-
-	-	307,396	-	200,000	-
-	-	-	-	-	-
1,376,822	1,560,494	1,320,699	1,389,418	10,862,352	2,344,891
(253,631)	(277,583)	(280,143)	(271,087)	(9,432,322)	(572,173)
<u>1,232,007</u>	<u>1,282,911</u>	<u>1,347,952</u>	<u>1,118,331</u>	<u>10,530,030</u>	<u>1,772,718</u>
-	-	-	-	-	-
<u>\$ (865,621)</u>	<u>\$ 1,432,919</u>	<u>\$ (610,027)</u>	<u>\$ (1,870,656)</u>	<u>\$ 7,450,839</u>	<u>\$ (2,715,339)</u>
<u>12.08%</u>	<u>13.04%</u>	<u>12.03%</u>	<u>10.33%</u>	<u>10.25%</u>	<u>10.42%</u>

CITY OF TAVARES, FLORIDA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Ended September 30,	Real Property				
	Residential and Commercial Real Property	Residential Property	% Residential	Commercial Property	% Commercial
2000	\$ 241,594,505	**	0.00%	**	0.00%
2001	266,541,943	**	0.00%	**	0.00%
2002	295,497,320	**	0.00%	**	0.00%
2003	325,441,836	**	0.00%	**	0.00%
2004	370,028,286	**	0.00%	**	0.00%
2005	405,357,877	**	0.00%	**	0.00%
2006	482,351,057	**	0.00%	**	0.00%
2007	678,290,795	**	0.00%	**	0.00%
2008	854,994,055	668,605,480	78.20%	186,388,575	21.80%
2009	762,026,655	563,727,801	73.98%	198,298,854	26.02%

Note: ** Data not available

<u>Personal Property</u>	<u>Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Value as a Percentage of Actual Value</u>
\$ 36,302,915	**	\$ 277,897,420	4.4200	**	**
36,013,763	**	302,555,706	4.4200	**	**
38,266,318	**	333,763,638	4.4200	**	**
36,902,385	**	362,344,221	5.4200	**	**
36,097,582	**	406,125,868	5.4200	**	**
37,776,586	**	443,134,463	5.4200	**	**
37,685,696	**	520,036,753	5.4200	**	**
44,780,670	**	723,071,465	5.4200	**	**
58,867,139	218,101,130	1,131,962,324	5.4200	913,861,194	80.73%
56,313,267	151,848,139	818,339,922	6.2500	818,339,922	100.00%

CITY OF TAVARES, FLORIDA

PROPERTY TAX RATES
DIRECT AND OVERLAPPING ¹ GOVERNMENTS
LAST TEN FISCAL YEARS ²

Fiscal Year	City of Tavares Operating Millage	Overlapping Rates										St. John's Water Management District	Total Direct & Overlapping Rates		
		Lake County					Lake County School District							Independent Hospital District	Lake County Water Authority
		Operating Millage	Debt Service Millage	MSTU	Total County Millage	Total	Operating Millage	Capital Outlay	School Millage	Total School Millage					
2000	4.4200	5.1170	0.0000	0.3160	5.4330	6.7420	2.0000	8.7420	1.0000	0.5000	0.4820	20.5770			
2001	4.4200	5.1170	0.0000	0.5500	5.6670	6.4950	2.0000	8.4950	1.0000	0.5000	0.4620	20.5440			
2002	4.4200	5.1170	0.0000	0.5289	5.6459	6.2020	2.0000	8.2020	1.0000	0.5000	0.4620	20.2299			
2003	5.4200	5.9170	0.0000	0.5289	6.4459	6.3950	2.0000	8.3950	1.0000	0.4819	0.4620	22.2048			
2004	5.4200	5.8170	0.0000	0.5289	6.3459	6.4400	2.0000	8.4400	1.0000	0.4080	0.4620	22.0759			
2005	5.4200	5.8170	0.0000	0.5289	6.3459	5.9900	2.0000	7.9900	1.0000	0.3830	0.4620	21.6009			
2006	5.4200	5.7470	0.2000	0.5289	6.4759	5.6480	2.0000	7.6480	1.0000	0.2530	0.4620	21.2589			
2007	5.4200	4.7410	0.2000	0.4651	5.4061	5.6980	2.0000	7.6980	1.0000	0.2130	0.4158	20.1529			
2008	6.2500	4.6511	0.1101	0.4651	5.2263	5.7670	1.7500	7.5170	1.0000	0.2130	0.4158	20.6221			
2009	6.2500	4.6511	0.1101	0.4651	5.2263	6.0320	1.5000	7.5320	1.0000	0.2130	0.4158	20.6371			

Source: Lake County Tax Collectors Office

Notes:

1. Overlapping rates are those of local and county governments that apply to property owners within the City of Tavares

2. Taxes levied for the fiscal year are based on the prior year taxable value.

CITY OF TAVARES, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

September 30, 2009

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Stag III Tavares, LLC	\$ 6,401,576	1	1.32%			
Rainbridge LLC	4,367,124	2	0.90%			
Tarmac America LLC	4,331,408	3	0.90%			
Sunshine State Christian Homes	4,244,209	4	0.88%			
Lake Point Senior Apartment LP	3,939,493	5	0.81%			
Ventas Realty LP	3,624,474	6	0.75%			
Waterman Center LLC	3,554,311	7	0.74%			
Gray Star Investments Inc	3,496,565	8	0.72%			
Lake Warehouse & Storage Tavares LLC	3,308,647	9	0.68%			
Tavares Associates Inc	3,244,486	10				
Florida Hospital Waterman				\$ 13,451,261	1	5.26%
Tavares Center Associates				3,185,281	2	1.25%
Tavares Associates, Incorporated				3,135,077	3	1.23%
Sunshine State Christian Homes				2,674,582	4	1.05%
Pringle Properties				2,626,625	5	1.03%
Florida Hospital Waterman				2,243,001	6	0.88%
Nationwide Health Properties (Sterling House)				2,229,383	7	0.87%
Holiday, Ltd				1,766,917	8	0.69%
Shepherd, Charles W. III & Charles Victor Donahey, Jr.				1,618,871	9	0.63%
Ehler Development				1,531,597	10	0.60%
Totals	<u>\$ 40,512,293</u>		<u>7.71%</u>	<u>\$ 34,462,595</u>		<u>13.48%</u>

Source: Lake County Property Appraiser

CITY OF TAVARES, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	1,129,770	1,092,334	96.69%	3,106	1,095,440	96.96%
2000	1,228,307	1,186,606	96.61%	6,045	1,192,651	97.10%
2001	1,337,296	1,287,788	96.30%	3,146	1,290,934	96.53%
2002	1,476,498	1,419,198	96.12%	8,297	1,427,495	96.68%
2003	1,963,906	1,885,836	96.02%	6,614	1,892,450	96.36%
2004	2,202,448	2,112,025	95.89%	11,352	2,123,377	96.41%
2005	2,401,789	2,297,288	95.65%	8,322	2,305,610	96.00%
2005	2,835,601	2,666,288	94.03%	5,901	2,672,189	94.24%
2007	3,919,047	3,728,553	95.14%	11,002	3,739,555	95.42%
2008	4,921,437	4,622,854	93.93%	1,381	4,624,235	93.96%
2009	5,058,640	5,130,823	101.43%	4,192	5,135,015	101.51%

CITY OF TAVARES, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita
	Bonds Payable ³	Notes Payable ²	Capital Leases	Water Revenue Bonds	State Revolving Loan	Capital Lease				
2000	2,240,000	-	7,331	7,889,429	-	76,456	10,213,216	5.52%	1,103	
2001	1,945,000	-	4,241	7,584,571	-	268,515	9,802,327	**	1,005	
2002	1,640,000	950,000	298,846	8,265,000	178,881	250,733	11,583,460	**	1,163	
2003	-	8,065,000	686,936	6,910,000	1,011,864	659,387	17,333,187	**	1,620	
2004	-	7,660,000	489,868	6,595,000	5,952,255	233,808	20,930,931	**	1,914	
2005	-	7,230,000	212,943	6,270,000	13,276,495	507,039	27,496,477	**	2,425	
2006	-	6,690,000	302,347	6,100,000	14,328,214	594,621	28,015,182	8.61%	2,232	
2007	-	6,045,000	157,924	5,925,000	14,095,962	373,235	26,597,121	**	2,119	
2008	-	14,275,000	216,773	5,740,000	13,727,955	186,185	34,145,913	9.96%	2,720	
2009	-	13,521,000	124,810	5,550,000	14,199,136	45,372	33,440,318	12.82%	2,664	

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

** Data is not available

1. See the Schedule of Demographic and Economic Statistics on page 110 for personal income and population data. Personal income for Tavares is calculated using population and per capita income.

2. General Government Sales Tax Revenue Note was issued in 2003.

3. Public Improvement Revenue Bonds Series 1992 were refunded in 2002 with Public Improvement Revenue Note Series 2003.

CITY OF TAVARES, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities	
	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value ¹ of Property	Per Capita
1999	-	-	-	**	-
2000	-	-	-	**	-
2001	-	-	-	**	-
2002	-	-	-	**	-
2003	-	-	-	**	-
2004	-	-	-	**	-
2005	-	-	-	**	-
2006	-	-	-	**	-
2007	-	-	-	**	-
2008	-	-	-	**	-
2009	-	-	-	**	-

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements

1. See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 100-101 for property value data.
2. Population data can be found in the Schedule of Demographic and Economic Statistics on page 110.
3. The City of Tavares has no General Obligation Debt.

CITY OF TAVARES, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2009

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt:			
Lake County General Obligation Debt ²	\$ -	0%	\$ -
Subtotal, overlapping debt			
Direct Debt:			
City of Tavares General Obligation Debt ³	-	0%	-
Total direct and overlapping debt	<u>\$ -</u>		<u>\$ -</u>

Sources:

Lake County Property Appraiser's Office
 Lake County Finance Department
 Lake County School Board

Notes:

1. Ratio of assessed valuation of taxable property in overlapping unit to that within the City of Tavares
2. The City of Tavares did not have any overlapping debt in the above fiscal year end.
3. The City of Tavares does not currently have any General Obligation Debt.

CITY OF TAVARES, FLORIDA

LEGAL DEBT MARGIN

September 30, 2009

Neither the City of Tavares Charter or Code nor the Florida State Statutes limit the amount of debt the City of Tavares can issue

CITY OF TAVARES, FLORIDA

REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
WATER AND SEWER FUND

Fiscal Year	Water/Sewer Gross ¹ Revenues	Less: Operating ² Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
1999	2,577,474	1,156,521	1,420,953	289,857	195,658	485,515	2.93
2000	2,829,184	1,371,904	1,457,280	299,857	202,434	502,291	2.90
2001	3,095,104	1,577,281	1,517,823	304,857	420,273	725,130	2.09
2002	3,129,039	1,763,108	1,365,931	309,857	415,386	725,243	1.88
2003	3,613,070	1,973,412	1,639,658	315,000	384,485	699,485	2.34
2004	4,079,469	2,189,371	1,890,098	325,000	401,077	726,077	2.60
2005	4,899,853	2,654,822	2,245,031	170,000	650,852	820,852	2.74
2006	6,369,004	2,853,073	3,515,931	721,802	650,852	1,372,654	2.56
2007	7,026,132	3,280,893	3,745,239	740,056	646,122	1,386,178	2.70
2008	6,615,208	3,311,185	3,304,023	707,001	638,180	1,345,181	2.46
2009	6,562,814	3,285,045	3,277,769	566,188	616,685	1,182,873	2.77

Notes:

1. Total Operating Revenue (including impact fees).
2. Excludes depreciation expense
3. Debt service principal Includes notes payable
4. Debt service interest excludes interest on capital leases

CITY OF TAVARES, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (amounts expressed in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2000	9,258	176,485	19,063	55.6	12.64	1,713	2.6%
2001	9,750	**	**	**	**	**	3.6%
2002	9,960	**	**	**	**	**	5.0%
2003	10,699	**	**	38.2	13.95	**	4.5%
2004	10,938	**	**	38.6	13.93	**	4.3%
2005	11,340	**	**	39.1	13.51	**	3.5%
2006	12,552	324,394	25,844	54.3	12.97	1,590	3.5%
2007	**	**	**	**	**	**	**
2008	13,344	342,794	25,689	55.8	12.60	3,092	6.3%
2009	11,072	260,790	23,554	55.5	12.60	1,496	12.3%

Sources:

Metro Orlando Economic Development Commission

Note: ** Data not available

CITY OF TAVARES, FLORIDA

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2008 ¹			1999 ²		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake County Public Schools	5,446	1	15.56%	**	**	**
Florida Hospital Waterman	1,556	2	4.45%	**	**	**
Lake County Board of County Commissioners	875	3	2.50%	**	**	**
Lake County Sheriff's Office	766	4	2.19%	**	**	**
Hospice of Lake & Sumter Counties	468	5	1.34%	**	**	**
G&T Conveyor	300	6	0.86%	**	**	**
Lake County Clerk of the Circuit Court	244	7	0.70%	**	**	**
City of Tavares	177	8	0.51%	**	**	**
SunState Carriers	139	9	0.40%	**	**	**
Lake County Tax Collector	66	10	0.19%	**	**	**
Total	10,037		28.68%			

Source: City of Tavares Economic Development Department

Notes:

1. The City of Tavares has an estimated functional population (daytime) of 9,398 with approximately 752 business establishments as of 9/30/2005. Tindale-Oliver & Assoc., Inc. Impact Fee Study September 2006. Business establishments - City of Tavares business license database.
2. ** Data not available until 2006

CITY OF TAVARES, FLORIDA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	22	28	29	29	29	28	27	29	31	30
Public safety										
Police										
Sworn officers	21	21	21	23	23	24	24	27	31	31
Non-sworn officers	-	-	-	-	-	-	-	-	-	-
Civilians ^{1 & 2}	10	12	1	1	1	2	2	11	11	11
Fire										
Firefighters & officers	11	13	12	18	18	18	18	24	21	21
Civilians	-	-	1	-	-	-	1	1	1	1
Physical environment	5	6	7	7	7	7	7	7	14	11
Economic development	**	**	**	**	**	**	**	**	2	2
Water/Wastewater/SW	20	20	24	23	24	25	32	33	31	31
Sanitation ³	5	5	5	5	5	7	8	8	8	8
Culture & recreation	22	27	25	25	25	26	28	29	28	27
Total	116	132	125	131	132	137	147	169	177	172

Notes:

Data has been corrected from 2002-2006 to match Adopted Budgets as of 10/1 of each year.

Seasonal Employees not included.

1. Police civilians include emergency communications center operations personnel.
2. Emergency Center Operations ceased in 2001 and re-opened in 2007.

CITY OF TAVARES, FLORIDA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Auto accidents	**	**	**	**	**	**	489	398	584	626
Physical arrests	**	**	**	**	**	**	351	342	314	333
Criminal investigations conducted	**	**	**	**	**	**	820	354	293	374
Total calls for service	**	**	**	**	**	**	24,875	31,557	36,108	33,412
911 calls received	**	**	**	**	**	**	**	3,689	4,108	4,063
Evidence processed (pieces)	**	**	**	**	**	**	**	**	**	**
Public education programs	**	**	**	**	**	**	**	**	**	**
Medical responses	**	**	**	**	**	**	**	**	100	**
Community Development								1,193	2,057	2,046
Total permits issued	**	**	**	**	**	**	1,335	953	858	1,148
Construction inspections	**	**	**	**	**	**	7,549	2,003	2,495	1,650
Physical Environment										
Streets paved (miles)	**	**	**	**	**	**	117	117	118	118
Streets resurfaced (miles)	**	**	**	**	**	**	2	2	-	-
Sidewalks/bike paths built or repaired (feet)	**	**	**	**	**	**	**	**	1,994	10,816
Culture and Recreation										
Sports complex ball games & field rentals	**	**	**	**	**	**	**	680	655	765
Library cards issued	1,872	1,768	1,988	1,815	1,591	1,678	1,844	1,762	1,615	1,616
Water/Wastewater										
New connections	**	**	**	**	**	**	748	375	192	152
Number of customers	**	6,292	5,214	5,605	6,105	6,624	7,426	6,419	6,405	6,120
Water main breaks	**	**	**	**	**	**	10	0	9	3
Average daily consumption (millions of gallons)	**	**	**	**	**	**	3	3	3	3
Meter reads	**	**	**	**	6,724	7,269	8,141	8,380	8,753	8,876
General Government										
Employment applications received	**	**	**	**	**	**	521	829	729	698
Personnel actions processed	**	**	**	**	**	**	275	307	345	242
Legal notices published	86	80	96	108	106	138	184	87	44	27
Occupational licenses issued	647	619	763	761	733	752	772	861	938	956
Accidents and injuries reviewed	**	**	**	**	**	**	18	15	12	14
Land use amendments and rezonings	**	**	**	**	16	18	23	15	25	13
License/Permit reviews	**	**	**	**	**	**	**	1,650	876	579
Employees paid	**	**	**	**	**	**	224	203	198	185
Checks deposited	**	**	**	**	65,946	67,924	65,301	63,410	58,533	57,098
A/P Checks issued ²	17,452	14,297	15,596	14,761	4,445	5,427	5,457	6,602	5,812	5,653
Purchase orders/processed	6,891	7,295	7,529	6,881	3,779	3,453	3,549	4,272	4,827	4,390

Note:

** Data not available

In Fiscal Year 2004 established pooled cash and eliminated 30 separate checking accounts



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OTHER REPORTS



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**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 City Council
City of Tavares, Florida

We have audited the financial statements of *City of Tavares, Florida*, as of and for the year ended September 30, 2009, and have issued our report thereon dated May 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the *City of Tavares, Florida*, in a separate letter dated May 20, 2010. The City's response to our findings identified in our audit is included in this report. We did not audit the City's response, and accordingly, we express no opinion on it.

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

McDiernit Davis & Company, LLC

May 20, 2010

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

The Honorable Mayor and City Council
City of Tavares, Florida

Compliance

We have audited the compliance of the *City of Tavares, Florida* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to the major federal program for the year ended September 30, 2009. The *City of Tavares's* major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the *City of Tavares, Florida* management. Our responsibility is to express an opinion on the *City of Tavares, Florida* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *City of Tavares, Florida* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *City of Tavares, Florida* compliance with those requirements.

In our opinion, the *City of Tavares, Florida*, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the *City of Tavares, Florida* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the *City of Tavares, Florida* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the *City of Tavares, Florida's* internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management of the City, the Auditor General of the State of Florida and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McDermitt Davis & Company, LLC

May 20, 2010

CITY OF TAVARES, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2009

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Grant Number</u>	<u>Reimbursable Expenditures</u>
Federal Awards			
ARRA -			
Environmental Protection Agency Passed through FL Department of Environmental Protection: Capitalization Grants for Drinking Water State Revolving Funds*	66.468	DW350301	<u>\$ 796,207</u>
Other Federal Awards -			
U. S. Department of Justice Justice Assistance Grant	16.738	2009-JAGD-LAKE- 9-T8-125	1,000
U.S. Department of Housing and Urban Development Passed through Lake County, Florida: Community Development Block Grant	14.218		<u>208,398</u>
Total Federal Awards			<u>\$1,005,605</u>

* Denotes a major program.

See Notes to Schedule of Expenditures of Federal Awards

CITY OF TAVARES, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2009

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the *City of Tavares, Florida* and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF TAVARES, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2009

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the *City of Tavares, Florida*.
2. There were no significant deficiencies relating to the audit of the financial statements reported in the 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*.
3. No instances of noncompliance material to the financial statements of the *City of Tavares, Florida* were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Report on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award for the *City of Tavares, Florida*, expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for the *City of Tavares, Florida* are reported in Part C of this schedule.
7. Major federal program identified on the Schedule of Expenditures of Federal Awards is as follows:

<u>Federal Programs</u>	<u>CFDA No.</u>
Environmental Protection Agency - Capitalization Grants for Drinking Water State Revolving Funds	66.468

8. The threshold for distinguishing Type A and Type B programs/projects is \$300,000.
9. The *City of Tavares, Florida* did not qualify as a low risk auditee.

B. Findings-Financial Statement Audit

None reported.

C. Findings and Questioned Costs-Major Federal Awards Programs and State Projects

None reported.



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Honorable Mayor and City Council
City of Tavares, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the *City of Tavares, Florida* as of and for the year ended September 30, 2009, and have issued our report thereon dated May 20, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Governmental Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 16, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the *City of Tavares, Florida* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate for the allowance for doubtful accounts is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 20, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

McDiernit Davis & Company, LLC

May 20, 2010



CITY OF TAVARES

Affidavit of Impact Fee Compliance

Impact fee collections, expenditures, and accounting are provided for in separate account funds and comply with Florida Statute 163.31801.

Sari Houghton

Signed before me this 1st day of June, 2010



Kathryn A. Mayes



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MANAGEMENT LETTER

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MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Tavares, Florida

We have audited the financial statements of the City of *Tavares, Florida*, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated May 20, 2010.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated May 20, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida, and unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- 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 significant findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been corrected, as detailed in the accompanying pages.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the *City of Tavares, Florida* complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, current year comments are discussed in the accompanying pages.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

- Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *City of Tavares, Florida* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the *City of Tavares, Florida* for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. We determined that these two reports are in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the *City of Tavares, Florida* and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McDiernit Davis & Company, LLC

May 20, 2010

COMMENTS AND RECOMMENDATIONS

For the Year Ended September 30, 2009

Status of Prior Year Comments

1. Lockbox

During our audit procedures we noted that there is no lockbox for recreation receipts and that it is not required that receipts collected at the parks building be deposited on a daily basis.

Recommendation

We recommend that a lockbox be used throughout the day for collection of cash and checks at the parks building and that a daily deposit be given to city hall at the end of each day.

Corrective Action

A cash lockbox has been provided to the parks department and park staff now provides a daily deposit of receipts to the finance department.

2. Void Procedures

Currently the utility billing clerks have the authority to void receipts in the system.

Recommendation

We recommend that any voids require a finance employee to complete ensuring that two people are required to complete a receipt void.

Corrective Action

This recommendation has been implemented.

3. Payroll Changes

The payroll clerk is responsible for making changes in the system for new employees and pay changes and no outside approval is documented.

Recommendation

We recommend that someone outside of payroll processing approve pay rate changes and employee additions

Corrective Action

The Human Resources director is now responsible for this documentation.

CITY OF TAVARES, FLORIDA

COMMENTS AND RECOMMENDATIONS - CONTINUED

For the Year Ended September 30, 2009

4. Documentation of Changes

Currently there is no documentation of payroll approval, since payroll that is reviewed is shredded.

Recommendation

We recommend that documentation of payroll approval be kept.

Corrective Action

This recommendation has been implemented.

5. Excess of expenditures over appropriations

There are expenditures in excess of appropriations in the capital projects fund.

Recommendation

The budget should be amended within 60 days of year end in order to prevent this.

Corrective Action

Although this did not occur in the capital projects fund in the current year there were three other funds that this occurred in during the fiscal year 2009.

Current Year Comments

1. Inventory

During our audit procedures we noted that no inventory is booked for the water sewer fund.

Recommendation

We recommend booking and tracking inventory for the water sewer fund on a regular basis.

2. Excess of expenditures over appropriations

There are expenditures in excess of appropriations in the police forfeiture, infrastructure sales tax special revenue, and the debt service funds.

Recommendation

The budget should be amended within 60 days of year end in order to prevent this.



May 20, 2010

McDermitt Davis & Company, LLC
605 E. Robinson Street, Suite 635
Orlando, FL 32801

Re: Management Letter
City of Tavares

In response to Management Letter dated May 20, 2010 pursuant to the City of Tavares annual audit for fiscal year ended September 30, 2009, please find City of Tavares management responses to the Management Letter Audit Comments:

Management Response to Prior Year Management Comments:

1. Lockbox

During our audit procedures we noted that there is no lockbox for recreation receipts and that it is not required that receipts collected at the parks building be deposited on a daily basis.

Recommendation

We recommend that a lockbox be used throughout the day for collection of cash and checks at the parks building and that a daily deposit be given to city hall at the end of each day.

Management Response:

Management agrees that cash receipt collections in the parks building office should be held in a secured lockbox (cash box) and that a daily deposit of collected receipts should be brought to the city hall to be included in the daily bank deposits and for daily entry into the cash receipts/general ledger system. A cash lockbox has been provided to the parks department and park staff will provide a daily deposit of receipts to the finance department. *Also, a drop safe has been installed in the building adjacent to the Splash Park in Wooton Park.*

2. Void Procedures

Currently the utility billing clerks have the authority to void receipts in the system.

Recommendation

We recommend that any voids require a finance employee to complete ensuring that two people are required to complete a receipt void.

Management Response

Management agrees with this recommendation, management has implemented procedures that require the approval of the finance manager or the finance director to process void receipts. *Utility Billing Clerks do not have authority to void transactions.*

3. Payroll Changes

Payroll clerk is one actually making changes in the system for new employees and pay changes although outside approval is done.

Recommendation

We recommend that someone outside of payroll processing (Lori in HR) to be responsible for pay rate changes and employee additions.

Management Response

Management agrees with this recommendation; management has implemented procedures to move the responsibility for payroll changes from the payroll clerk to the human resource director. *Do to the limited staff resources, this recommendation implementation is ongoing. Finance staff currently prints payroll audit reports to identify all payroll entry changes and reviews those changes to ensure authorization has been received for changes entered.*

4. Documentation of Changes

Currently no documentation of payroll approval, since payroll that is reviewed is shredded (since review is done prior to final processing).

Recommendation

We recommendation that final page of approved PR, which would include payroll totals be kept with signature indication approval.

Management Response

Management agrees with this recommendation; management has implemented procedures that require the payroll clerk to keep and file payroll review approvals. Management will apply State of Florida retention requirements for retention term. *This recommendation has been implemented.*

5. Excess of expenditures over appropriations

There are expenditures in excess of appropriations in the capital projects fund.

Recommendation

The budget should be amended within 60 days of year end in order to prevent this.

Management Response

Management agrees with this recommendation. Additional items for accrual were received after the final budget adjustment was adopted. Management will monitor and coordinate anticipated expenditures with the final budget review process. *Staff prepares a final budget resolution within 60 days of the year end. In order to make reduce the likelihood of transactions that may create unfavorable variances, staff will lengthen the closeout period for requisitions at year end.*

Management Response to Current Year Management Comments:

1. Inventory

During our audit procedures we noted that no inventory is booked for the water sewer fund.

Recommendation

We recommend booking and tracking inventory for the water sewer fund on a regular basis.

Management Response:

Management agrees that supplies on hand for the water and sewer fund should be properly recorded in inventory until the actual expense has been incurred. Management is currently implementing the inventory module within the accounting system to account for supply inventory of the water and sewer department.

2. Excess of expenditures over appropriations

There are expenditures in excess of appropriations in the police forfeiture, infrastructure sales tax special revenue, and the debt service funds.

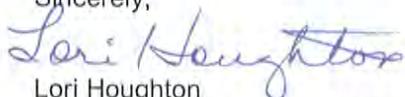
Recommendation

The budget should be amended within 60 days of year end in order to prevent this.

Management Response

Management agrees with this recommendation. Additional items for accrual were received after the final budget adjustment was adopted. Management will monitor and coordinate anticipated expenditures with the final budget review process. *Staff prepares a final budget resolution within 60 days of the year end. In order to reduce the likelihood of transactions that may create unfavorable variances, staff will lengthen the closeout period for requisitions at year end and closely review debt service obligations expenditures.*

Sincerely,



Lori Houghton
Finance Director

cc: John Drury, City Administrator



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City of Tavares
Comprehensive Annual Financial Report
FY 2008-2009