

CITY OF TAVARES, FLORIDA

Comprehensive Annual

Financial Report

for the year ending September 30, 2010





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City of Tavares, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2010

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, 2010

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May 6, 2011

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, 2010.

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, 2010. 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 12.04 square miles and serves a population of approximately 13,500. 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. It is the only city in Florida with an FAA approved Seaplane Base. 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 7% from the prior year. The decrease in valuation was primarily due to changes in the real estate markets as a result of the economic environment including increased mortgage foreclosures. Although the millage rate remained constant the impact of decreased taxable assessments resulted in the decreased tax levy of \$402,319 less than the prior year.

The unemployment rate for the local economy increased by .2% or increased to 12% from 11.8%. 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, 2010 indicating a constant level of growth in the creation of new businesses.

The number of building permits issued for new construction increased from the prior year (77%). Although the number of issued permits had increased, new construction permits remained at moderate growth levels, but the City is optimistic that this indicates a continued and steady growth to the economic recovery for the City. The City continues to work with builders, developers and residents for both commercial and residential development. The near constant and moderate 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 2010 (tax year 2009).

Long-term financial planning

Unreserved, undesignated fund balance in the general fund of 20 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 has nearly completed all aspects its seaplane base and marina project at the downtown Wooton Park waterfront. The project showcases the new Tavares Seaplane Base and has been assigned the FAA identifier FA1. 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.

In the prior year the city unveiled a new brand to showcase its vision for seaplane activity in the downtown core by becoming "America's Seaplane City. The City continues to implement its areas of economic focus to create new jobs and wealth for the Tavares community. This past year the branding initiative included everything from shirts to signage throughout the community including repainting the City's water tower with the new logo as well as water bottled for sale under the Tavares brand and logo, "America's Seaplane City".

A significant accomplishment in the City's economic endeavors included the location of the Progressive Aerodyne Seaplane Manufacturing Company to Tavares; the company manufactures the popular Sea Rey aircraft. The City is also in the running for another seaplane manufacturing company to locate to Tavares. Complementing aircraft manufacturing, the Jones Brothers opened a seaplane flight training school and scenic

air tour operations, located at the new Tavares Seaplane Base in Wooton Park. These initiatives have spawned private investment into the downtown core with the opening of many new restaurants and retail establishments.

Other economic benefits included the opening of a new medical surgery clinic, and the approval and funding for the replacement of the old railroad bridge across the Dora Canal. This bridge is an important component to the City's plan for a freight village.

The City's vision and Master Plan for the downtown and Community Redevelopment District include replacement and upgrading of water and sewer infrastructure which are needed to support a vibrant business community. In May 2010, the City secured a funding commitment from the USDA Rural Development Agency for the project. The USDA will provide funding comprised of loan with the project cost estimated at \$17 million.

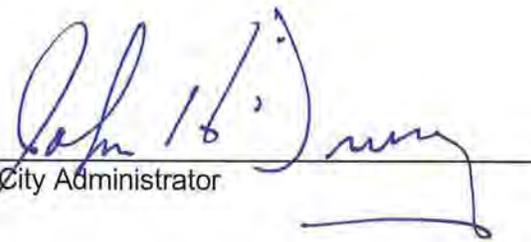
Awards and Acknowledgements

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. 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.

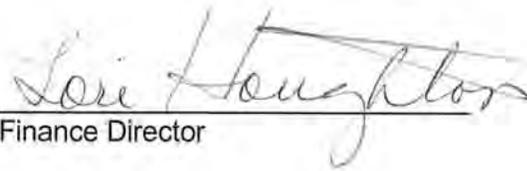
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

CITY OF TAVARES, FLORIDA

LIST OF PRINCIPAL OFFICIALS

Year Ended September 30, 2010

MAYOR

Robert Wolfe

CITY COUNCIL

Lori Pfister, Vice Mayor

Bobby Grenier

Kirby Smith

Sandy Gamble

CITY ADMINISTRATOR

John Drury

CITY CLERK

Nancy Barnett

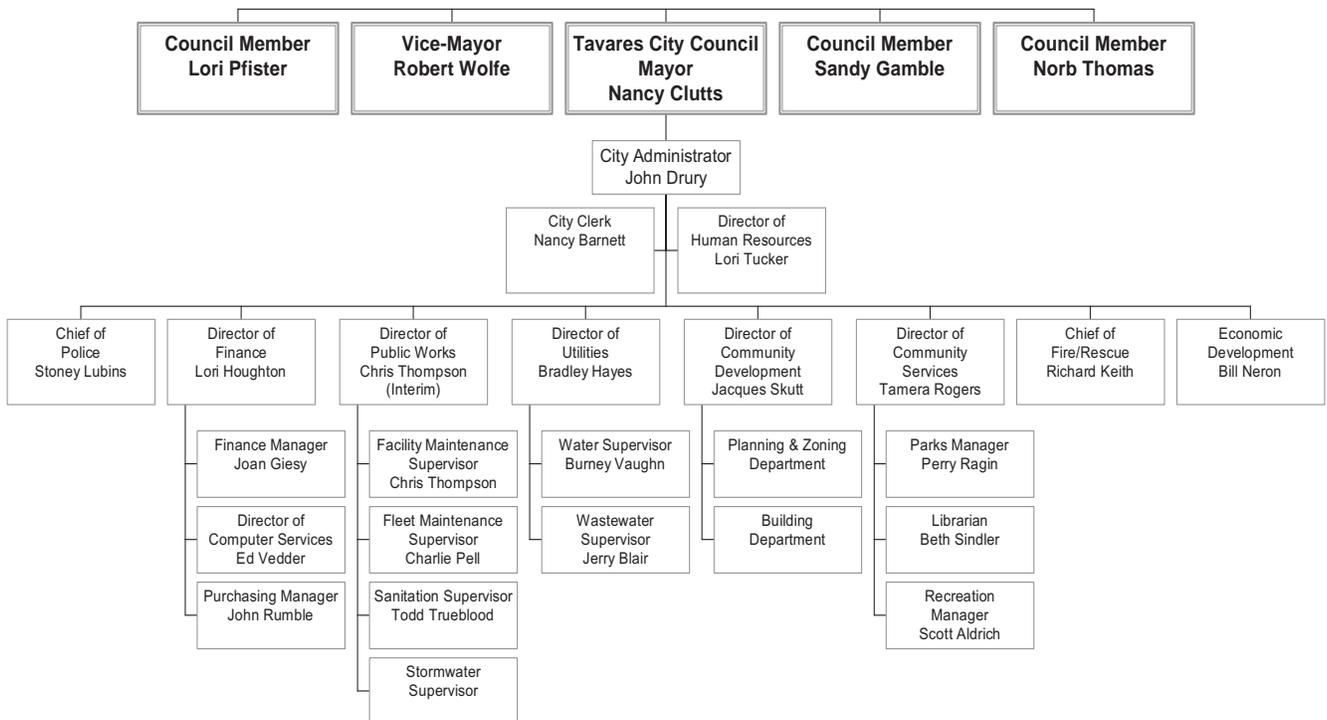
CITY ATTORNEY

Robert Q. Williams

FINANCE DIRECTOR

Lori Houghton

City of Tavares Organizational Chart



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, 2010, 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 an opinion 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, 2010 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2011 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 considering the results of our audit.

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

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis and the pension and other postemployment benefits disclosures on pages 3 through 13 and 69 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Tavares, Florida* financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules 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 required by U.S. Office of Management and Budget Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statement of the *City of Tavares, Florida*. The combining and individual nonmajor fund financial statements and schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

McDermitt Davis & Company, LLC

April 28, 2011

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, 2010. 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 \$47,316,832 (net assets). Of this amount, \$14,912,337 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,905,534.
- As of the close of the current fiscal year, the City of Tavares governmental funds reported combined ending fund balances of \$6,836,165, a decrease of \$5,285,844 in comparison with the prior year. This decrease is attributed to appropriations for capital expenditures budgeted and expended in the Infrastructure Sales Tax Fund and the Capital Project Fund.
- The general fund experienced an increase in fund balance for the fiscal year; this increase was attributed to expenditures being less than appropriations.
- The Capital Project Fund experienced a decrease in fund balance for the fiscal year as a result of larger projects nearing completion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,256,860 or 20% 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, and seaplane base operations.

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, and the Tavares Seaplane Base.

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 and the Seaplane Base Fund are also included as they are the only nonmajor funds.

The basic proprietary fund financial statements can be found on pages 25 – 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 – 67 of this report.

Other information. In addition to the basic financial statements and accompanying notes this report also presents certain required supplementary information concerning the City 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 \$47,316,832 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	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	Current and other assets	\$ 9,997,232	\$ 14,883,924	\$ 16,836,127	\$ 17,287,346	\$ 26,833,359
Capital assets	22,775,863	18,244,776	34,349,678	32,438,716	57,125,541	50,683,492
Total assets	<u>32,773,095</u>	<u>33,128,700</u>	<u>51,185,805</u>	<u>49,726,062</u>	<u>83,958,900</u>	<u>82,854,762</u>
Long-term liabilities outstanding	13,115,329	14,187,733	19,316,228	18,876,082	32,431,557	33,063,815
Other liabilities	2,727,024	2,349,773	1,483,487	2,029,876	4,210,511	4,379,649
Total liabilities	<u>15,842,353</u>	<u>16,537,506</u>	<u>20,799,715</u>	<u>20,905,958</u>	<u>36,642,068</u>	<u>37,443,464</u>
Net Assets:						
Invested in capital assets, net of related debt	12,286,623	11,503,013	15,382,496	13,570,146	27,669,119	25,073,159
Restricted	378,453	559,256	4,356,923	4,263,939	4,735,376	4,823,195
Unrestricted	4,265,666	4,528,925	10,646,671	10,986,019	14,912,337	15,514,944
Total net assets	<u>\$ 16,930,742</u>	<u>\$ 16,591,194</u>	<u>\$ 30,386,090</u>	<u>\$ 28,820,104</u>	<u>\$ 47,316,832</u>	<u>\$ 45,411,298</u>

Sixty percent (60%) 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 years. 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%) represents resources that are subject to external restriction on how they may be used. This represents a minimal decrease over the prior year.. The remaining unrestricted net assets \$14,912,337 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 increased \$1,905,534 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

City of Tavares Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues -						
Charges for services	\$ 524,210	\$ 681,029	\$ 9,140,064	\$ 9,071,254	\$ 9,664,274	\$ 9,752,283
Operating grants and contributions	594,877	590,825	-	-	594,877	590,825
Capital grants and contributions	706,155	443,670	1,751,379	796,124	2,457,534	1,239,794
General revenues -						
Property taxes	5,048,491	5,387,080	-	-	5,048,491	5,387,080
Franchise and utility taxes	2,850,432	2,632,956	-	-	2,850,432	2,632,956
Intergovernmental	1,938,597	1,942,101	-	-	1,938,597	1,942,101
Investment income and miscellaneous	180,471	167,850	82,139	77,214	262,610	245,064
Total revenues	<u>11,843,233</u>	<u>11,845,511</u>	<u>10,973,582</u>	<u>9,944,592</u>	<u>22,816,815</u>	<u>21,790,103</u>
Expenses:						
General government	2,595,668	2,760,070	-	-	2,595,668	2,760,070
Public safety	5,384,407	5,967,840	-	-	5,384,407	5,967,840
Physical environment	2,082,370	2,099,378	-	-	2,082,370	2,099,378
Economic environment	374,745	421,225	-	-	374,745	421,225
Culture and recreation	2,147,376	2,447,157	-	-	2,147,376	2,447,157
Interest on long-term debt	527,574	565,029	-	-	527,574	565,029
Water and sewer	-	-	5,647,753	5,657,303	5,647,753	5,657,303
Sanitation	-	-	1,632,796	1,693,286	1,632,796	1,693,286
Stormwater	-	-	284,874	328,962	284,874	328,962
Seaplane base	-	-	233,718	-	233,718	-
Total expenses	<u>13,112,140</u>	<u>14,260,699</u>	<u>7,799,141</u>	<u>7,679,551</u>	<u>20,911,281</u>	<u>21,940,250</u>
Increase (Decrease) in Net Assets Before Transfers	(1,268,907)	(2,415,188)	3,174,441	2,265,041	1,905,534	(150,147)
Transfers	<u>1,608,455</u>	<u>1,772,718</u>	<u>(1,608,455)</u>	<u>(1,772,718)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	339,548	(642,470)	1,565,986	492,323	1,905,534	(150,147)
Net Assets - Beginning	<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>
Net Assets - Ending	<u>\$ 16,930,742</u>	<u>\$ 16,591,194</u>	<u>\$ 30,386,090</u>	<u>\$ 28,820,104</u>	<u>\$ 47,316,832</u>	<u>\$ 45,411,298</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Governmental activities – Governmental activities increased the City of Tavares's net assets by \$339,438. Key elements of this increase are as follows:

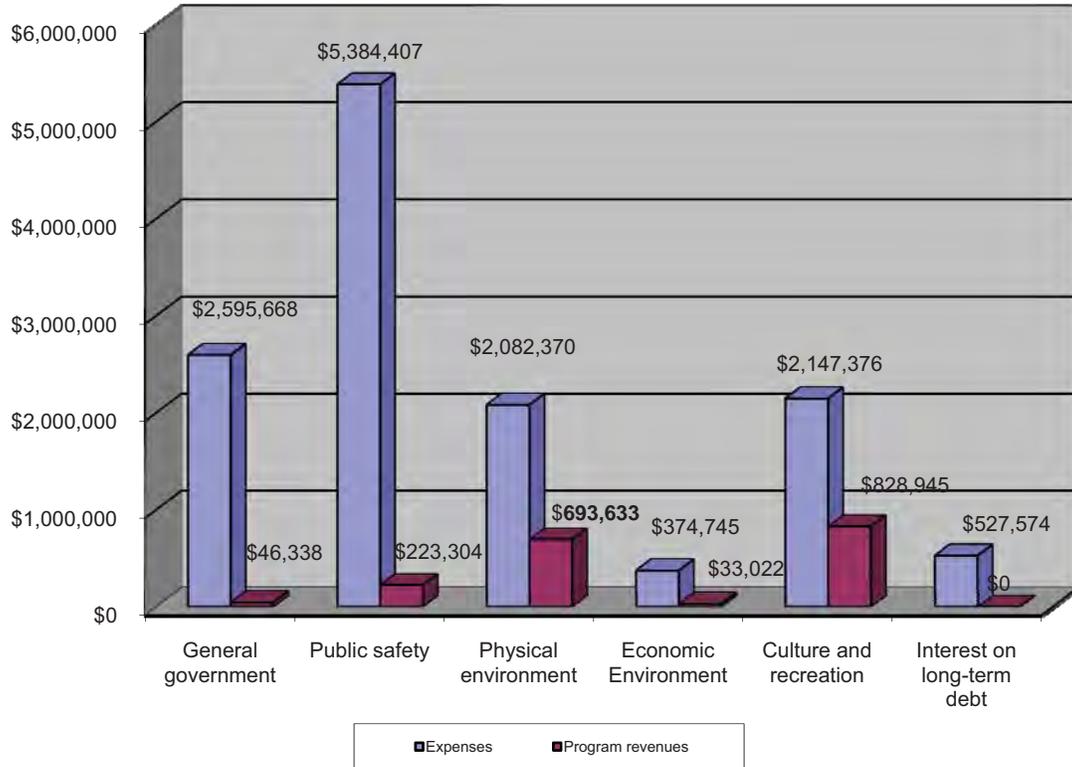
- Although property taxes decreased by almost \$338,589 (6%) during the year, franchise fees and utility taxes provided additional revenues in the amount of \$217,476 (8%). Utility taxes and franchise fee collections are based on gross revenues of payers.
- Expenditures decreased across the various functional activities by \$1,148,559 (8%).
- New construction continued at a moderate pace during the year, the number of new permits issued during the fiscal year rose slightly over the prior fiscal year with permit and business tax revenues increasing by \$728 over the prior fiscal year.
- Intergovernmental revenues in the general fund rose slightly by \$22,131, an increase of 1.5% over the prior fiscal year.

Business-type activities – Overall, net assets increased by approximately 5.4% from business-type activities during the current year. Unrestricted net assets of the business-type activities at the end of the year amounted to \$10,646,671. The City continued two major plant expansion projects for the water and wastewater utilities - the water plant upgrade project and the water/wastewater reuse project during the fiscal year. In the current year, the City executed a Preconstruction Loan for the utilities alternative water planning initiatives. It is anticipated that SRF Revolving Loan Funds will approved for construction of Phase 1 and 2 of the project. Key highlights for business activities during the current year were as follows:

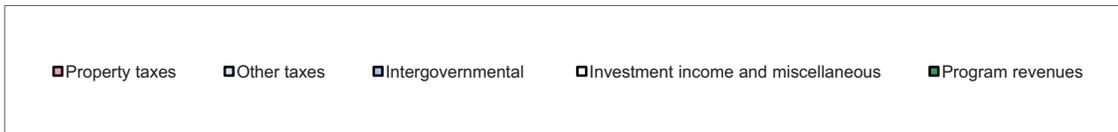
- Charges for services for all business-type activities increased by less than 1%, primarily due to decreased demand as a result of water conservation initiatives required under the City's consumptive use permit. Water and Sewer revenues decreased by \$203,271 in charges for services. Increases to overall business-type activities are attributed to base charges in the Sanitation Fund and the opening of seaplane base operations.
- 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 \$66,208 despite an impact fee waiver program for parcels located within the City.
- In addition to promoting development and economic growth in the downtown Community Redevelopment Area, in the current fiscal year, in the prior 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. The impact fee waiver program was renewed for another year.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Expenses and Program Revenues - Governmental Activities

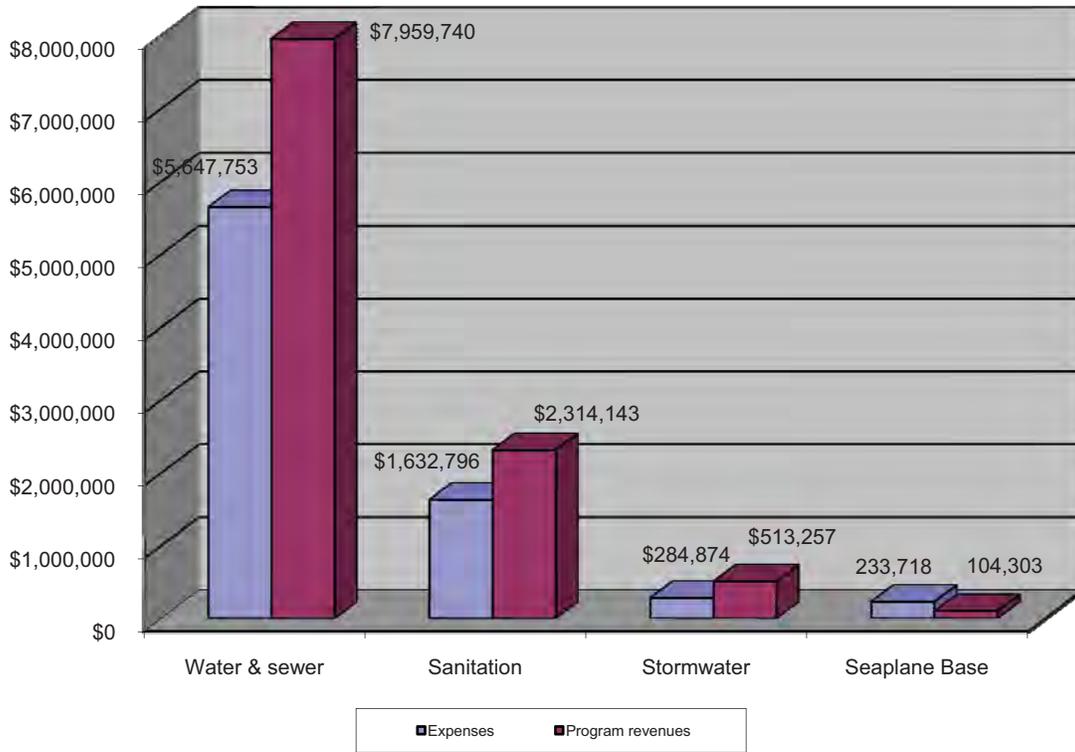


Revenues by Source - Governmental Activities

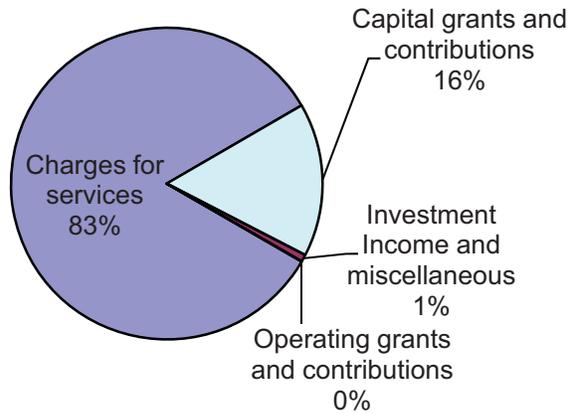


MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

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 \$6,836,165, a decrease of \$5,285,844 in comparison with the prior year. Approximately 98% of this total amount, \$6,547,779 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 (\$134,922); 2) to generate income for the perpetual care of the Wooton Park Playground (\$32,554); 3) to fund projects within the community redevelopment district (\$116,619); 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 \$2,256,860 while total fund balance was \$2,261,151. 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 20% of total general fund expenditures, while total fund balance represents 20% of that same amount.

The fund balance of the general fund increased by \$277,348 during the current fiscal year. Key factors attributing to the increase are as follows:

- Expenditures of the current year were less than budgeted appropriations.
- Permit revenues experienced a small increase of \$268,086 due to the City's commitment to stimulate the local economy through measures such as impact fee waivers.
- Total tax revenues increased over the prior year due to utility and local option fuel taxes.
- A decrease in transfers-out due to the availability of sales tax revenue for certain debt obligations.

The infrastructure special revenue fund has a total fund balance of \$1,623,869 which will be used by the City to fund debt service for various capital projects. In the current year, the infrastructure fund expended \$1,500,362 in needed capital equipment and debt service costs related to capital improvement projects. Debt service in the current year from infrastructure sales tax included the capital improvement loan for Wooton Park improvements. In addition infrastructure funds were used to complete the Aesop's Park Dog Park and improvements at the Woodlea Sports Complex.

The fund balance in the general government capital project fund decreased by \$4,789,307. This decrease was due to expenditures for the Wooton Park Seaplane Base project in the amount of \$4,015,973 and due to expenditures in the amount of \$826,189 for road paving projects. Final completion for the Wooton Park Seaplane Base/Marina project is scheduled for fiscal year 2011.

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 \$10,646,671. Total net assets for proprietary funds increased by \$1,565,986. 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 \$241,494 while original estimated revenues decreased by \$77,843. 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 \$163,651 from original estimates. During the year, however actual revenues were less than budgetary estimates by \$21,984, and expenditures were also less than budgetary estimates by \$118,604 thus reducing the need to draw upon additional fund balance reserves. The reasons for the decrease in appropriations can be briefly summarized as follows:

- A \$430,220 in decreases for physical environment activities was anticipated due transportation impact projects being postponed until the following fiscal year.
- \$144,634 in increases was anticipated for public safety activities due to additional 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.
- \$127,206 in decreases was anticipated for culture and recreation activities due to personal service cost savings for unfilled positions and over-time. In addition savings were anticipated for contractual services.

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, 2010 amounts to \$57,010,886 (net of accumulated depreciation/amortized costs). This investment in capital assets includes land, intangible assets, buildings, improvements/infrastructure, and machinery and equipment. An increase of less than 10% in the City’s investment in capital assets was experienced for the current fiscal year due to several ongoing major capital projects. Although nearing completion, many have not been moved from construction in progress as of September 30, 2010. 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 for governmental activities included the completion the Summerall Park boat ramp and restroom improvements, and improvements to Wooton Park in the downtown waterfront for a seaplane base, marina, train depot, splash park, and store. Although not all aspects of the seaplane base have been completed, operations for the splash park, train depot, and store (Prop Shop) have begun.

**City of Tavares
Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 2,407,436	\$ 2,407,436	\$ 388,346	\$ 388,346	\$ 2,795,782	\$ 2,795,782
Intangible assets	\$ 114,655	-	-	-	-	-
Buildings & improvements	2,513,344	2,615,389	26,633,637	27,691,581	29,146,981	30,306,970
Improvements/infrastructure	9,076,338	7,398,819	-	-	9,076,338	7,398,819
Machinery and equipment	1,875,353	2,340,581	1,840,899	1,485,318	3,716,252	3,825,899
Construction in progress	6,788,737	3,482,551	5,486,796	2,873,471	12,275,533	6,356,022
Total	\$ 22,775,863	\$ 18,244,776	\$ 34,349,678	\$ 32,438,716	\$ 57,010,886	\$ 50,683,492

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 \$31,927,313. This debt includes bonds payable and notes payable. Additional information on long-term debt can be found in Note 7 on pages 51-55 of this report.

City of Tavares Long-Term Debt						
	Governmental Activities		Business Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Bonds payable	\$ -	\$ -	\$ 5,350,000	\$ 5,550,000	\$ 5,350,000	\$ 5,550,000
Notes payable	12,470,000	13,521,000	14,022,438	13,351,767	26,492,438	26,872,767
Capital lease obligations	84,875	124,810	-	45,372	84,875	170,182
	<u>\$ 12,554,875</u>	<u>\$ 13,645,810</u>	<u>\$ 19,372,438</u>	<u>\$ 18,947,139</u>	<u>\$ 31,927,313</u>	<u>\$ 32,592,949</u>

The City of Tavares’s total debt decreased by \$870,836 (2.6%) during the current fiscal year, primarily because of the following:

- Principal payments in the amount of \$1,090,935 in general government funds for notes payable and capital lease obligations.
- Principal payments in the amount of \$629,926 in proprietary funds for bonds and notes payable and capital lease obligations.

In fiscal year 2010, the Water and Sewer Utility entered into a loan with the Florida Department of Environmental Protection for State Revolving Loan funds to begin design and planning of a water reclamation facility. Additional information concerning this debt obligation may be found in Note 7 on pages 51-55.

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 12%. This compares to the state’s average unemployment rate of 12% and the national rate of 9.2%.
- 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 2011.

During the current fiscal year, the unreserved fund balance in the general fund decreased to \$2,261,151. The City appropriated \$178,943 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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 8,480,835	\$ 10,628,766	\$ 19,109,601
Receivables, net	327,381	980,398	1,307,779
Inventories	4,291	22,850	27,141
Prepaid items	43,802	38,477	82,279
Due from other governments	658,838	452,532	1,111,370
Restricted assets:			
Cash and cash equivalents	-	4,356,923	4,356,923
Special assessments receivable	-	18,403	18,403
Bond issuance cost	-	337,778	337,778
Pension assets	482,085	-	482,085
Capital assets not being depreciated	9,196,173	5,875,142	15,071,315
Capital assets being amortized, net	114,655	-	114,655
Capital assets being depreciated, net of accumulated depreciation	13,465,035	28,474,536	41,939,571
Total assets	32,773,095	51,185,805	83,958,900
Liabilities:			
Accounts payable and other current liabilities	1,792,642	878,019	2,670,661
Matured bonds and interest payable	794,473	-	794,473
Accrued interest payable	48,042	230,179	278,221
Unearned revenue	91,867	-	91,867
Deferred revenue	-	-	-
Liabilities payable from restricted assets	-	375,289	375,289
Noncurrent liabilities:			
Due within one year	1,154,032	598,107	1,752,139
Due in more than one year	11,961,297	18,718,121	30,679,418
Total liabilities	15,842,353	20,799,715	36,642,068
Net Assets:			
Invested in capital assets, net of related debt	12,286,623	15,382,496	27,669,119
Restricted for:			
Capital improvements	125,269	4,356,923	4,482,192
Community redevelopment	116,619	-	116,619
Debt service	134,922	-	134,922
Perpetual care-nonexpendable	1,643	-	1,643
Unrestricted	4,265,666	10,646,671	14,912,337
Total Net Assets	\$ 16,930,742	\$ 30,386,090	\$ 47,316,832

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, 2010

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Operating		Governmental Activities	Primary Government Business Activities		Total
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Governmental Activities	
Governmental activities:							
General government	\$ 2,595,668	\$ 27,751	\$ 18,587	\$ (2,549,330)	\$ -	\$ (2,549,330)	
Public safety	5,384,407	73,610	13,968	(5,161,103)	-	(5,161,103)	
Physical environment	2,082,370	291,976	401,657	(1,388,737)	-	(1,388,737)	
Economic environment	374,745	16,972	16,050	(341,723)	-	(341,723)	
Culture and recreation	2,147,376	113,901	144,615	(1,318,431)	-	(1,318,431)	
Interest on long-term debt	527,574	-	-	(527,574)	-	(527,574)	
Total governmental activities	13,112,140	524,210	594,877	(11,286,898)	-	(11,286,898)	
Business-type activities:							
Water & sewer	5,647,753	6,211,740	-	-	2,311,987	2,311,987	
Sanitation	1,632,796	2,310,764	-	-	681,347	681,347	
Stormwater utility	284,874	513,257	-	-	228,383	228,383	
Seaplane Base	233,718	104,303	-	-	(129,415)	(129,415)	
Total business-type activities	7,799,141	9,140,064	-	-	3,092,302	3,092,302	
Total primary government	\$ 20,911,281	\$ 9,664,274	\$ 594,877	(11,286,898)	3,092,302	(8,194,596)	
General revenues							
Property taxes				5,048,491	-	5,048,491	
Franchise fees and utility taxes				2,850,432	-	2,850,432	
Intergovernmental - unrestricted				1,938,597	-	1,938,597	
Investment income and miscellaneous				180,471	82,139	262,610	
Transfers				1,608,455	(1,608,455)	-	
Total general revenues and transfers				11,626,446	(1,526,316)	10,100,130	
Change in net assets				339,548	1,565,986	1,905,534	
Net assets, beginning				16,591,194	28,820,104	45,411,298	
Net assets, ending				\$ 16,930,742	\$ 30,386,090	\$ 47,316,832	

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

CITY OF TAVARES, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2010

	General	Infrastructure Special Revenue	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,468,056	\$ 2,177,020	\$ 106,662	\$ 2,981,519	\$ 747,578	\$ 8,480,835
Prepaid items	43,802	-	-	-	-	43,802
Receivables, net	283,632	25,174	14,575	-	4,000	327,381
Inventories, at cost	4,291	-	-	-	-	4,291
Due from other funds	392,145	-	-	-	-	392,145
Due from other governments	146,586	67,383	-	-	444,869	658,838
Total assets	<u>\$ 3,338,512</u>	<u>\$ 2,269,577</u>	<u>\$ 121,237</u>	<u>\$ 2,981,519</u>	<u>\$ 1,196,447</u>	<u>\$ 9,907,292</u>
Liabilities and Fund Balances:						
Accounts payable	\$ 181,934	\$ -	\$ 3,815	\$ 713,615	\$ 52,858	\$ 952,222
Accrued liabilities	789,229	-	803	-	5,770	795,802
Due to other funds	-	-	-	-	392,145	392,145
Unearned revenue	61,580	-	-	-	30,287	91,867
Developer deposits	33,630	-	-	-	-	33,630
Other current liabilities	10,988	-	-	-	-	10,988
Matured bonds payable	-	546,000	-	-	140,000	686,000
Matured interest payable	-	99,708	-	-	8,765	108,473
Total liabilities	<u>1,077,361</u>	<u>645,708</u>	<u>4,618</u>	<u>713,615</u>	<u>629,825</u>	<u>3,071,127</u>
Fund balances:						
Reserved:						
Inventories	4,291	-	-	-	-	4,291
Community development	-	-	116,619	-	-	116,619
Debt service	-	-	-	-	134,922	134,922
Playground	-	-	-	-	32,554	32,554
Unreserved, reported in:						
General fund	2,256,860	-	-	-	-	2,256,860
Special revenue funds	-	1,623,869	-	-	397,503	2,021,372
Capital projects fund	-	-	-	2,267,904	-	2,267,904
Permanent funds	-	-	-	-	1,643	1,643
Total fund balances	<u>2,261,151</u>	<u>1,623,869</u>	<u>116,619</u>	<u>2,267,904</u>	<u>566,622</u>	<u>6,836,165</u>
Total liabilities and fund balances	<u>\$ 3,338,512</u>	<u>\$ 2,269,577</u>	<u>\$ 121,237</u>	<u>\$ 2,981,519</u>	<u>\$ 1,196,447</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	22,775,863
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	482,085
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(48,042)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(13,115,329)</u>
Net assets of governmental activities	<u>\$ 16,930,742</u>

CITY OF TAVARES, FLORIDA

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

For The Year Ended September 30, 2010

	General	Infrastructure Special Revenue	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 7,681,999	\$ -	\$ 216,925	\$ -	\$ -	\$ 7,898,924
Licenses and permits	333,696	-	-	-	-	333,696
Intergovernmental revenues	1,488,607	1,011,721	16,050	-	723,249	3,239,627
Charges for services	101,569	-	990	-	-	102,559
Fines and forfeitures	42,460	-	-	-	18,632	61,092
Impact fees/special assessments	-	-	-	-	26,864	26,864
Investment income	7,037	5,241	92	48,605	1,752	62,727
Miscellaneous	102,994	-	10,500	4,250	-	117,744
Total revenues	<u>9,758,362</u>	<u>1,016,962</u>	<u>244,557</u>	<u>52,855</u>	<u>770,497</u>	<u>11,843,233</u>
Expenditures:						
Current						
General government	2,441,601	36,638	8,223	-	-	2,486,462
Public safety	4,899,652	24,651	6,531	-	175,668	5,106,502
Physical environment	1,663,024	38,018	-	826,189	88,850	2,616,081
Economic environment	198,436	-	175,372	-	-	373,808
Culture and recreation	1,883,850	102,537	5,096	4,015,973	526,929	6,534,385
Debt Service						
Principal retirement	-	850,935	-	-	240,000	1,090,935
Interest and fiscal charges	-	447,583	-	-	81,776	529,359
Total expenditures	<u>11,086,563</u>	<u>1,500,362</u>	<u>195,222</u>	<u>4,842,162</u>	<u>1,113,223</u>	<u>18,737,532</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,328,201)</u>	<u>(483,400)</u>	<u>49,335</u>	<u>(4,789,307)</u>	<u>(342,726)</u>	<u>(6,894,299)</u>
Other Financing Sources (Uses)						
Transfers in	1,760,800	-	-	-	271,572	2,032,372
Transfers out	(155,251)	-	(152,345)	-	(116,321)	(423,917)
Net other financing sources (uses)	<u>1,605,549</u>	<u>-</u>	<u>(152,345)</u>	<u>-</u>	<u>155,251</u>	<u>1,608,455</u>
Net Change in Fund Balances	<u>277,348</u>	<u>(483,400)</u>	<u>(103,010)</u>	<u>(4,789,307)</u>	<u>(187,475)</u>	<u>(5,285,844)</u>
Fund balances - Beginning	<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>
Fund balances - Ending	<u>\$ 2,261,151</u>	<u>\$ 1,623,869</u>	<u>\$ 116,619</u>	<u>\$ 2,267,904</u>	<u>\$ 566,622</u>	<u>\$ 6,836,165</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, 2010

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)	\$ (5,285,844)
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.	4,574,901
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.	20,116
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.	1,092,720
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net assets	(43,814)
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>(18,531)</u>
Change in net assets of governmental activities (page 18)	<u><u>\$ 339,548</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 7,227,886	\$ 7,685,457	\$ 7,681,999	\$ (3,458)
Licenses and permits	320,356	333,584	333,696	112
Intergovernmental revenues	1,970,881	1,477,933	1,488,607	10,674
Charges for services	137,023	114,997	101,569	(13,428)
Fines and forfeitures	55,295	42,459	42,460	1
Investment income	62,925	23,673	7,037	(16,636)
Miscellaneous	83,823	102,243	102,994	751
Total revenues	<u>9,858,189</u>	<u>9,780,346</u>	<u>9,758,362</u>	<u>(21,984)</u>
Expenditures:				
Current:				
General government	2,386,857	2,461,155	2,441,601	19,554
Public safety	4,763,923	4,910,557	4,899,652	10,905
Physical environment	2,093,679	1,663,459	1,663,024	435
Economic environment	188,307	283,307	198,436	84,871
Culture and recreation	2,013,895	1,886,689	1,883,850	2,839
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>11,446,661</u>	<u>11,205,167</u>	<u>11,086,563</u>	<u>118,604</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,588,472)</u>	<u>(1,424,821)</u>	<u>(1,328,201)</u>	<u>96,620</u>
Other Financing Sources (Uses)				
Transfers in	1,729,874	1,761,216	1,760,800	(416)
Transfers out	(155,251)	(155,251)	(155,251)	-
Net other financing sources (uses)	<u>1,574,623</u>	<u>1,605,965</u>	<u>1,605,549</u>	<u>(416)</u>
Net Change in Fund Balances	(13,849)	181,144	277,348	96,204
Fund Balances - Beginning	1,983,803	1,983,803	1,983,803	-
Fund Balances - Ending	<u>\$ 1,969,954</u>	<u>\$ 2,164,947</u>	<u>\$ 2,261,151</u>	<u>\$ 96,204</u>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 956,499	\$ 919,164	\$ 1,011,721	\$ 92,557
Investment income	18,280	20,410	5,241	(15,169)
Total revenues	<u>974,779</u>	<u>939,574</u>	<u>1,016,962</u>	<u>77,388</u>
Expenditures:				
Current:				
General government	35,190	41,138	36,638	4,500
Public safety	25,000	24,651	24,651	-
Physical environment	30,000	38,018	38,018	-
Economic environment	-	-	-	-
Culture and recreation	344,500	102,537	102,537	-
Debt service:				
Principal retirement	848,938	849,750	850,935	(1,185)
Interest and fiscal charges	498,792	497,980	447,583	50,397
Total expenditures	<u>1,782,420</u>	<u>1,554,074</u>	<u>1,500,362</u>	<u>53,712</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(807,641)</u>	<u>(614,500)</u>	<u>(483,400)</u>	<u>131,100</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>(807,641)</u>	<u>(614,500)</u>	<u>(483,400)</u>	<u>131,100</u>
Fund Balances - Beginning	2,107,269	2,107,269	2,107,269	-
Fund Balances - Ending	<u>\$ 1,299,628</u>	<u>\$ 1,492,769</u>	<u>\$ 1,623,869</u>	<u>\$ 131,100</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 221,785	\$ 216,925	\$ 216,925	\$ -
Intergovernmental revenues	33,750	16,050	16,050	-
Charges for Services	-	990	990	-
Investment income	200	270	92	(178)
Miscellaneous income	-	10,500	10,500	-
Total revenues	255,735	244,735	244,557	(178)
Expenditures:				
Current:				
General Government	-	10,422	8,223	-
Public safety	10,480	10,480	6,531	3,949
Physical environment	-	-	-	-
Economic environment	220,790	170,832	175,372	(4,540)
Culture and recreation	5,178	5,178	5,096	82
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	236,448	196,912	195,222	1,690
Excess (Deficiency) of Revenues Over Expenditures	19,287	47,823	49,335	1,512
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(152,345)	(152,345)	-
Net other financing sources (uses)	-	(152,345)	(152,345)	-
Net Change in Fund Balances	19,287	(104,522)	(103,010)	1,512
Fund Balances - Beginning	219,629	219,629	219,629	-
Fund Balances - Ending	\$ 238,916	\$ 115,107	\$ 116,619	\$ 1,512

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, 2010

	Business-Type Activities-Enterprise Funds				Total
	Water & Sewer	Sanitation	Stormwater	Seaplane Base	
Assets					
Current assets:					
Cash and cash equivalents	\$ 10,097,168	\$ 151,310	\$ 353,315	\$ 26,973	\$ 10,628,766
Receivables, net	669,433	256,154	54,356	455	980,398
Inventories, at cost	2,020	-	-	20,830	22,850
Due from other governments	451,741	791	-	-	452,532
Prepaid items	29,406	6,505	2,566	-	38,477
Total current assets	<u>11,249,768</u>	<u>414,760</u>	<u>410,237</u>	<u>48,258</u>	<u>12,123,023</u>
Noncurrent assets:					
Restricted cash and cash equivalents	4,356,923	-	-	-	4,356,923
Bond Issuance cost	337,778	-	-	-	337,778
Special assessments receivable-long term	18,403	-	-	-	18,403
Capital assets:					
Land, buildings and equipment	47,674,305	1,154,598	761,670	-	49,590,573
Construction in progress	5,290,000	-	196,796	-	5,486,796
Less accumulated depreciation	(19,335,000)	(956,682)	(436,009)	-	(20,727,691)
Total capital assets (net of accumulated depreciation)	<u>33,629,305</u>	<u>197,916</u>	<u>522,457</u>	<u>-</u>	<u>34,349,678</u>
Total noncurrent assets	<u>38,342,409</u>	<u>197,916</u>	<u>522,457</u>	<u>-</u>	<u>39,062,782</u>
Total assets	<u>49,592,177</u>	<u>612,676</u>	<u>932,694</u>	<u>48,258</u>	<u>51,185,805</u>
Liabilities					
Current liabilities:					
Accounts payable	544,747	32,828	8,233	7,274	593,082
Accrued liabilities	209,412	40,014	17,548	17,963	284,937
Customer deposits payable	375,289	-	-	-	375,289
Notes payable	393,107	-	-	-	393,107
Revenue bonds payable	205,000	-	-	-	205,000
Accrued interest payable	230,179	-	-	-	230,179
Total current liabilities	<u>1,957,734</u>	<u>72,842</u>	<u>25,781</u>	<u>25,237</u>	<u>2,081,594</u>
Noncurrent liabilities:					
Other post employment benefit obligations	7,599	2,775	894	-	11,268
Notes payable	13,629,331	-	-	-	13,629,331
Revenue bonds payable	5,077,522	-	-	-	5,077,522
Total noncurrent liabilities	<u>18,714,452</u>	<u>2,775</u>	<u>894</u>	<u>-</u>	<u>18,718,121</u>
Total liabilities	<u>20,672,186</u>	<u>75,617</u>	<u>26,675</u>	<u>25,237</u>	<u>20,799,715</u>
Net Assets					
Invested in capital assets, net of related debt	14,662,123	197,916	522,457	-	15,382,496
Restricted for capital improvements	4,356,923	-	-	-	4,356,923
Unrestricted	9,900,945	339,143	383,562	23,021	10,646,671
Total net assets	<u>\$ 28,919,991</u>	<u>\$ 537,059</u>	<u>\$ 906,019</u>	<u>\$ 23,021</u>	<u>\$ 30,386,090</u>

CITY OF TAVARES, FLORIDA

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

For The Year Ended September 30, 2010

	Business-Type Activities-Enterprise Funds				Total
	Water & Sewer	Sanitation	Stormwater	Seaplane Base	
Operating Revenues					
User charges	\$ 6,211,740	\$ 2,310,764	\$ 513,257	\$ 104,303	\$ 9,140,064
Miscellaneous	100	100	-	-	200
Total operating revenues	<u>6,211,840</u>	<u>2,310,864</u>	<u>513,257</u>	<u>104,303</u>	<u>9,140,264</u>
Operating Expenses					
Personal services	1,532,481	361,414	152,088	135,146	2,181,129
Utilities	604,371	995,308	-	19,911	1,619,590
Materials and supplies	424,785	61,839	31,506	49,065	567,195
Repairs and maintenance	166,085	69,621	9,453	-	245,159
Depreciation and amortization	1,737,332	88,188	28,684	-	1,854,204
Professional services	486,380	4,060	29,904	8,991	529,335
Other expenses	223,775	52,104	33,239	20,605	329,723
Total operating expenses	<u>5,175,209</u>	<u>1,632,534</u>	<u>284,874</u>	<u>233,718</u>	<u>7,326,335</u>
Operating income (loss)	<u>1,036,631</u>	<u>678,330</u>	<u>228,383</u>	<u>(129,415)</u>	<u>1,813,929</u>
Nonoperating Revenue (Expenses)					
Intergovernmental revenue	1,681,792	3,379	-	-	1,685,171
Investment income	79,840	316	1,692	91	81,939
Interest expense	(472,544)	(262)	-	-	(472,806)
Loss on disposition of capital assets	-	-	-	-	-
Total nonoperating revenue (expense)	<u>1,289,088</u>	<u>3,433</u>	<u>1,692</u>	<u>91</u>	<u>1,294,304</u>
Income before contributions and transfers	2,325,719	681,763	230,075	(129,324)	3,108,233
Impact fees	66,208	-	-	-	66,208
Transfers in	-	-	-	152,345	152,345
Transfers out	(1,135,844)	(523,060)	(101,896)	-	(1,760,800)
Change in net assets	<u>1,256,083</u>	<u>158,703</u>	<u>128,179</u>	<u>23,021</u>	<u>1,565,986</u>
Total Net Assets - Beginning	<u>27,663,908</u>	<u>378,356</u>	<u>777,840</u>	<u>-</u>	<u>28,820,104</u>
Total Net Assets - Ending	<u>\$ 28,919,991</u>	<u>\$ 537,059</u>	<u>\$ 906,019</u>	<u>\$ 23,021</u>	<u>\$ 30,386,090</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, 2010

	Business-Type Activities-Enterprise Funds				Total
	Water & Sewer	Sanitation	Stormwater	Seaplane Base	
Cash Flows from Operating Activities:					
Receipts from customers	\$ 6,170,849	\$ 2,279,081	\$ 508,638	\$ 103,848	\$ 9,062,416
Payments to suppliers	(2,478,574)	(1,204,822)	(117,479)	(112,128)	(3,913,003)
Payments to employees	(1,522,768)	(364,387)	(150,985)	(117,183)	(2,155,323)
Net cash provided (used) by operating activities	2,169,507	709,872	240,174	(125,463)	2,994,090
Cash Flows from Non-Capital Financing Activities:					
Intergovernmental revenue	1,906,827	2,760	-	-	1,909,587
Transfers in	-	-	-	152,345	152,345
Transfers out	(1,135,844)	(523,060)	(101,896)	-	(1,760,800)
Net cash provided (used) by non-capital financing activities	770,983	(520,300)	(101,896)	152,345	301,132
Cash Flows from Capital and Related Financing Activities:					
Proceeds from capital debt	1,055,225	-	-	-	1,055,225
Acquisition of capital assets	(3,518,715)	-	(256,003)	-	(3,774,718)
Principal paid on long-term debt	(573,462)	(45,372)	-	-	(618,834)
Interest paid on long-term-debt	(447,761)	(552)	-	-	(448,313)
Impact fees received	66,208	-	-	-	66,208
Net cash provided (used) by capital and related financing activities	(3,418,505)	(45,924)	(256,003)	-	(3,720,432)
Cash Flows from Investing Activities:					
Investment income	79,840	316	1,692	91	81,939
Net cash provided by investing activities	79,840	316	1,692	91	81,939
Net Increase (Decrease) In Cash and Cash Equivalents					
	(398,175)	143,964	(116,033)	26,973	(343,271)
Cash and Cash Equivalents - Beginning					
	14,852,266	7,346	469,348	-	15,328,960
Cash and Cash Equivalents - End					
	\$ 14,454,091	\$ 151,310	\$ 353,315	\$ 26,973	\$ 14,985,689
Classified As:					
Cash and cash equivalents	\$ 10,097,168	\$ 151,310	\$ 353,315	\$ 26,973	\$ 10,628,766
Restricted cash and cash equivalents	4,356,923	-	-	-	4,356,923
Total	\$ 14,454,091	\$ 151,310	\$ 353,315	\$ 26,973	\$ 14,985,689

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

	Business-Type Activities-Enterprise Funds				Total
	Water & Sewer	Sanitation	Stormwater	Seaplane Base	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities					
Operating income (loss)	\$ 1,036,631	\$ 678,330	\$ 228,383	\$ (129,415)	\$ 1,813,929
Adjustments Not Affecting Cash:					
Depreciation and amortization	1,737,332	88,188	28,684	-	1,854,204
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(76,144)	(31,783)	(4,618)	(455)	(113,000)
(Increase) in due from other funds	35,000	-	-	-	35,000
Increase (decrease) in accounts payable	(606,376)	13,255	(13,320)	7,274	(599,167)
Increase (decrease) in accrued liabilities	9,713	(2,974)	1,102	17,963	25,804
(Increase) in inventory items	(2,020)	-	-	(20,830)	(22,850)
(Increase) in prepaid items	218	(144)	(57)	-	17
Increase (decrease) in due to other funds	-	(35,000)	-	-	(35,000)
increase (decrease) in customer deposits	35,153	-	-	-	35,153
Total adjustments	<u>1,132,876</u>	<u>31,542</u>	<u>11,791</u>	<u>3,952</u>	<u>1,180,161</u>
Net Cash Provided by Operating Activities	<u>\$ 2,169,507</u>	<u>\$ 709,872</u>	<u>\$ 240,174</u>	<u>\$ (125,463)</u>	<u>\$ 2,994,090</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, 2010

	<u>Total Pension Funds</u>
Assets:	
Cash and cash equivalents	\$ 11,225
Investments (at fair value):	
SunTrust equities	963,578
Exchange traded Funds	635,242
Common and collective funds - CTF equities	2,597,281
Common and collective funds - fixed income	3,754,016
Other pension mutual funds	<u>2,504,246</u>
Total assets	10,465,588
Liabilities:	
Accounts payable	<u>173,015</u>
Net Assets:	
Held in trust for pension benefits	<u><u>\$ 10,292,573</u></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, 2010

	<u>Total Pension Funds</u>
Additions:	
Contributions:	
Employer	\$ 554,896
Plan members	220,763
State	<u>165,111</u>
Total contributions	<u>940,770</u>
Investment income:	
Net increase (decrease) in fair value of investments	816,779
Interest	52,830
Less investment expense	<u>(115,274)</u>
Net investment income	<u>754,335</u>
 Total additions	 <u>1,695,105</u>
 Deductions:	
Benefits/distributions	<u>348,602</u>
Total deductions	<u>348,602</u>
 Change in Net Assets	 1,346,503
 Net Assets - Beginning	 <u>8,946,070</u>
 Net Assets - Ending	 <u>\$ 10,292,573</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, 2010

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, 2010

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, 2010

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, 2010, the City continued a major seaplane base project at Downtown Wootton 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.

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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

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

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

Tavares Seaplane Base (Enterprise Fund) is used to account for activities of the Tavares Seaplane Base and Marina related to the virtual airport, retail store, marina, and related ancillary operations. Operations for the Seaplane Base began on April 10, 2010 upon completion of the Seaplane Base and Marina project.

Non-Major Proprietary Funds

No proprietary funds were classed as non-major funds.

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, 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 water system. The City's newest enterprise fund, Tavares Seaplane Base, recognizes operating revenues from sales of fuel, merchandise, and rental income. 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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

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

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

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.

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, 2010

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

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

3. Inventories and Prepaid Items

All inventories except fuel 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.

Fuel inventory for fuel sales at the Seaplane Base/Marina is valued at cost using the weighted average method.

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, 2010

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
Intangible assets	5-15

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. The total interest expense incurred by the Authority during the current fiscal year was \$602,414. Of this amount, \$139,422 was included a part of the cost of capital assets under construction in connection with water and wastewater construction projects.

The City implemented GASB Statement No. 51, Accounting for Intangible Assets, in the current fiscal year. As of September 30, 2010, the City included software licenses and software purchases as well as a new City logo with trademark and copyright. As the City was a phase-three implementer for GASB Statement No.34, intangible assets are reported prospectively beginning October 1, 2009. Note 6 of these notes provides details of all of City held assets.

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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

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

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

8. Long-Term Obligations (Continued)

fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt 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 \$4,574,901 difference are as follows:

Capital Outlay	\$ 5,671,159
Depreciation expense	<u>(1,096,258)</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>\$ 4,574,901</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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

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)

expenditures allocated to the respective functions, and increase net assets for the respective contributing fund.

The details of this \$20,116 difference are as follows:

Net Pension Asset	<u>\$ 20,116</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>\$ 20,116</u>

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 \$1,092,720 difference are as follows:

Debt issued or incurred:	
Capital lease	\$ -
Interest Payable (net change)	1,785
Principal repayment	<u>1,090,935</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>\$ 1,092,720</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	\$ (1,966)
Other post employment benefits	<u>\$ (16,565)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (18,531)</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 3 – Stewardship, Compliance, and Accountability:

A. Excess of Expenditures over Appropriations

Two funds, the fire impact fund and the debt service fund, contained excess expenditures over appropriations during the fiscal year ended September 30, 2010. The expended amounts in excess of appropriations were due to timing differences for debt service payments due October 1, 2010.

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.

B. Appropriations in Excess of Funds Available

Appropriations for the grant Special Revenue Fund were in excess of anticipated revenue and the prior years 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 2010, 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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

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

C. Budgetary Information (Continued)

6. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget 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.

Note 4 – Deposits and Investments:

A. Deposits

At year end, the carrying amount of the City's deposits was \$388,359 and the bank balance was \$23,076,830. Petty cash funds and working cash for cashier operations of \$1,335 is not on deposit with a financial institution. Fiduciary fund cash of \$11,225 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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 4 – Deposits and Investments (Continued):

B. Investments (Continued)

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.

Most of the City’s investments besides pension funds are invested in interest bearing accounts approved by the State of Florida as a “Qualified Public Depository” 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, 2010 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	6,113,834	AAAm	52 days
State Board of Administration Fund - B Fund	180,472	Unrated	7.49
SunTrust Interest-Bearing Savings	11,355,484	Unrated	<90 days
SunTrust Interest-Bearing Treasury Fund	5,427,044	Unrated	<90 days
Pension Funds			
SunTrust Equities	963,578	N/A	N/A
Exchange Traded Funds	1,172,878	N/A	N/A
Common & Collective Funds - CTF Equities	2,597,281	N/A	N/A
Common & Collective Funds - Fixed Income	3,754,016	TSY	6.0
Other Pension Mutual Funds	1,966,610	N/A	N/A

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 4 – Deposits and Investments (Continued):

B. Investments (Continued)

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 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, 2010, 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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

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	\$ 328,146	\$ (44,514)	\$ 283,632
Infrastructure special revenue	25,174	\$ -	\$ 25,174
Greater downtown TIF	40,600	(26,025)	14,575
Nonmajor special revenue	4,000	-	4,000
Water & sewer	755,381	(85,948)	669,433
Sanitation fund	283,619	(27,465)	256,154

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 6 – Capital Assets:

Capital asset activity for the year ended September 30, 2010 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	3,482,551	5,498,180	(2,191,994)	6,788,737
Total capital assets, not being depreciated:	<u>5,889,987</u>	<u>5,498,180</u>	<u>(2,191,994)</u>	<u>9,196,173</u>
Capital assets, being amortized				
Software/licenses	-	144,978	-	144,978
Total capital assets, being amortized	<u>-</u>	<u>144,978</u>	<u>-</u>	<u>144,978</u>
Less amortized costs				
Software/licenses	-	(22,423)	-	(22,423)
Total amortized costs	<u>-</u>	<u>(22,423)</u>	<u>-</u>	<u>(22,423)</u>
Capital assets, being depreciated:				
Buildings	4,071,074	-	-	4,071,074
Improvements/Infrastructure	8,287,353	1,964,515	-	10,251,868
Machinery and equipment	6,650,805	255,480	(320,390)	6,585,895
Total capital assets, being depreciated:	<u>19,009,232</u>	<u>2,219,995</u>	<u>(320,390)</u>	<u>20,908,837</u>
Less accumulated depreciation				
Buildings	(1,455,685)	(102,045)	-	(1,557,730)
Improvements/Infrastructure	(888,534)	(286,996)	-	(1,175,530)
Machinery and equipment	(4,310,224)	(684,794)	276,576	(4,718,442)
Total accumulated depreciation	<u>(6,654,443)</u>	<u>(1,073,835)</u>	<u>276,576</u>	<u>(7,451,702)</u>
Total capital assets, being amortized/depreciated:	<u>12,354,789</u>	<u>1,268,715</u>	<u>(43,814)</u>	<u>13,579,690</u>
Governmental activities assets, net	<u>\$ 18,244,776</u>	<u>\$ 6,766,895</u>	<u>\$ (2,235,808)</u>	<u>\$ 22,775,863</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 6 – Capital Assets (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 388,346	\$ -	\$ -	\$ 388,346
Construction in progress	2,873,471	3,295,564	(682,239)	5,486,796
Total capital assets, not being depreciated	<u>3,261,817</u>	<u>3,295,564</u>	<u>(682,239)</u>	<u>5,875,142</u>
Capital assets, being depreciated:				
Buildings & improvements	44,116,571	796,260	-	44,912,831
Machinery and equipment	3,933,815	355,581	-	4,289,396
Total capital assets, being depreciated	<u>48,050,386</u>	<u>1,151,841</u>	<u>-</u>	<u>49,202,227</u>
Less accumulated depreciation for:				
Buildings & improvements	(16,424,990)	(1,460,782)	-	(17,885,772)
Machinery and equipment	(2,448,497)	(393,422)	-	(2,841,919)
Total accumulated depreciation	<u>(18,873,487)</u>	<u>(1,854,204)</u>	<u>-</u>	<u>(20,727,691)</u>
Total capital assets, being depreciated, net	<u>29,176,899</u>	<u>(702,363)</u>	<u>-</u>	<u>28,474,536</u>
Business-type activities capital assets, net	<u>\$ 32,438,716</u>	<u>\$ 2,593,201</u>	<u>\$ (682,239)</u>	<u>\$ 34,349,678</u>

Amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 118
Public safety	21,123
Physical environment	1,182
	<u>\$ 22,423</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 151,466
Public safety	396,618
Physical environment	330,627
Economic Development	906
Culture and recreation	194,218
Total depreciation expense - governmental activities	<u>\$ 1,073,835</u>
Business-type activities:	
Water & sewer	\$ 1,737,332
Sanitation	88,188
Stormwater	28,684
Total depreciation expense - business-type activities	<u>\$ 1,854,204</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

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, 2010</u>
Business-type activities:				
Water and Sewer Revenue and Refunding Bonds, Series 2000	5.0 - 5.50% (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	4.70% (10/1 & 4/1)	10/1/2002 12/1/2012	<u>\$2,205,000</u>	<u>645,000</u> <u>\$5,350,000</u>

Year ending September 30,	<u>Business -type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 205,000	\$ 285,890
2012	215,000	266,150
2013	385,000	255,575
2014	170,000	247,575
2015	180,000	238,863
2016-2020	1,050,000	1,039,562
2021-2025	1,365,000	722,700
2026-2030	1,780,000	304,150
2031-2035	-	-
	<u>\$ 5,350,000</u>	<u>\$ 3,319,577</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 \$8,024,575. For the fiscal year, principal and interest paid on this series was \$255,755, and total pledged revenue was \$2,840,171.

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 \$676,255. For the fiscal year, principal and interest paid on this series was \$235,015, and total pledged revenue was \$2,840,171.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

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	(1,247,987)	(682,377)
Total	<u>\$ 278,321</u>	<u>\$ 130,600</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2011	\$ 44,624	\$ -
2012	44,624	-
Total minimum lease payments	89,248	-
Less: amount representing interest	(4,372)	-
	<u>\$ 84,876</u>	<u>-</u>

C. Notes Payable

During fiscal year 2008, 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 Seaplane Base/Marina Project and the City of Tavares Street Paving Project for unpaved City streets. As of September 30, 2010, a total of \$6,756,865 of project expenditures had been expended for both projects. Although the Wooton Park Project is nearly complete and airport operations have been implemented, some aspects of the project remain and are anticipated to be completed in fiscal year 2011.

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 \$2,452,805. Of this amount, \$2,084,884 will be forgiven. The loan period is for 20 years with an interest rate of 2.82 percent. As of September 30th 2010, loan draws in the amount of \$284,390 had been received. The note is secured by gross revenues from the water and sewer utility net of operation and maintenance costs. Total pledged revenue for fiscal year 2010 was \$2,840,171.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 7 – Long-Term Debt (Continued):

C. Notes Payable (Continued)

On March 17, 2009, the City executed State Revolving Loan agreement WW789060 for preconstruction activities such as planning and design for the City's reclaimed water project. The agreement provides total funding in the amount of \$1,071,466. The loan period is for 20 years with an interest rate of 2.92 percent. As of September 30th 2010, loan draws in the amount of \$750,026 had been received. The note is secured by gross revenues from the water and sewer utility net of operation and maintenance costs. Total pledged revenue for fiscal year 2010 was \$2,840,171.

Notes payable outstanding at year end is as follows:

	Governmental Activities				
	Sales Tax Revenue Note Series 2003	Public Improvement Revenue Refunding Note Series 2000	Fire Station Series 2002	Capital Improvement Revenue Note Wooton Park Series 2008	Capital Improvement Revenue Note Roads Series 2008
Original amount issued	\$ 6,000,000	\$ 1,280,000	\$ 950,000	\$ 7,400,000	\$ 1,500,000
Issue date	07/22/2003	12/06/2002	08/08/2002	2/4/2008	5/23/2008
Final maturity	10/01/2016	10/01/2012	11/01/2012	2/1/2028	10/1/2027
Interest due	10/01 & 04/01	10/01 & 04/01	11/01 & 05/01	2/01 & 8/01	10/01 & 04/01
Interest rate	3.717%	4.03%	4.33%	4.04%	3.99%
Balance 09/30/10	\$ 3,330,000	\$ 295,000	\$ 320,000	\$ 7,135,000	\$ 1,390,000

	Business-Type Activities		
	State Revolving Loan WW 05P	State Revolving Loan WW60	State Revolving Loan DW31
Original amount issued (with cap int)	\$ 14,706,596	\$ 768,344	\$ 286,881
Issue date	04/02/2002	3/17/2009	9/21/2009
Final maturity	12/15/2035	4/15/2031	11/15/2030
Interest due	06/15 & 12/15	04/15 & 10/15	05/15 & 11/15
Interest rate	2.08%-3.07%	2.92%	2.82%
Balance 09/30/10	\$ 12,967,213	\$ 768,344	\$ 286,881

Debt service requirements for notes payable at September 30, 2010 are:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 1,089,000	\$ 484,526	\$ 409,550	\$ 293,721
2012	1,131,000	441,534	418,763	284,508
2013	1,018,000	400,134	492,907	286,069
2014	941,000	360,315	503,494	275,482
2015	979,000	323,894	514,314	264,662
2016-2020	2,820,000	1,165,880	2,742,442	1,152,436
2021-2025	2,706,000	651,336	2,884,730	845,169
2026-2030	1,786,000	109,967	2,860,851	533,420
2031-2035	-	-	3,195,387	198,884
	\$ 12,470,000	\$ 3,937,586	\$ 14,022,438	\$ 4,134,351

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 7 – Long-Term Debt (Continued):

D. Notes Payable (Continued)

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 \$3,775,385. For the fiscal year, principal and interest paid on this series was \$631,722, and total pledged revenue was \$1,011,721.

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 \$312,933. For the fiscal year, principal and interest paid on this series was \$157,531, and total pledged revenue was \$1,085,253.

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 and interest remaining to be paid on this series is \$341,000. For the fiscal year, principal and interest paid on this series was \$116,021

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 \$10,036,023. For the fiscal year, principal and interest paid on this series was \$558,607, and total pledged revenue was \$1,251,662.

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 \$1,941,258. For the fiscal year, principal and interest paid on this series was \$113,695.

The State Revolving Loan Agreement WWG12078905P, \$14,709,596, is secured by gross revenues of the water and sewer utility after payment of operation and maintenance costs. Total principal and interest remaining to be paid on the loan was \$16,971,348 at September 30, 2010. For the fiscal principal and interest paid on the note was \$678,854. Total pledged revenue for fiscal year 2010 was \$2,840,171.

The State Revolving Loan/ARRA Agreement DW350301 in the amount of \$284,884 is secured by gross revenues of the water and sewer utility after payment of operation and maintenance costs. The project is currently ongoing; debt service payments will begin in fiscal year 2011. Total pledged revenue for fiscal year 2010 was \$2,840,171.

The State Revolving Loan State Revolving Loan Agreement WW789060 in the amount of \$750,026 is secured by gross revenues of the water and sewer utility after payment of operation and maintenance costs. The project is currently ongoing; debt service payments will begin in fiscal year 2011. Total pledged revenue for fiscal year 2010 was \$2,840,171.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 7 – Long-Term Debt (Continued):

E. Changes in Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital Lease	\$ 124,810	\$ -	\$ (39,935)	\$ 84,875	\$ 43,295
Notes payable					
Capital improvement	\$ 7,400,000	\$ -	\$ (265,000)	7,135,000	\$ 275,000
Capital improvement	1,446,000	-	(56,000)	1,390,000	56,000
Sales tax	3,820,000	-	(490,000)	3,330,000	490,000
Public improvement	435,000	-	(140,000)	295,000	140,000
Fire station	420,000	-	(100,000)	320,000	105,000
Total notes payable	13,521,000	-	(1,051,000)	12,470,000	1,066,000
Other post employment benefits	33,130	16,565	-	49,695	-
Compensated absences	508,793	44,365	(42,399)	510,759	44,737
Governmental activity long-term liabilities	<u>\$ 14,187,733</u>	<u>\$ 60,930</u>	<u>\$ (1,133,334)</u>	<u>\$ 13,115,329</u>	<u>\$ 1,154,032</u>
Business-type activities:					
Bonds payable -					
Revenue bonds	\$ 5,550,000	\$ -	\$ (200,000)	\$ 5,350,000	\$ 205,000
Less deferred amount:					
Issuance discount	(54,529)	-	2,607	(51,922)	-
Loss on defeasance	(24,040)	-	8,484	(15,556)	-
Total bonds payable	5,471,431	-	(188,909)	5,282,522	205,000
Capital lease	45,372	-	(45,372)	-	-
State revolving loans	13,351,767	1,055,225	(384,554)	14,022,438	393,107
Other post employment benefits	7,512	3,756	-	11,268	-
Business-type activity long term liabilities	<u>\$ 18,876,082</u>	<u>\$ 1,058,981</u>	<u>\$ (618,835)</u>	<u>\$ 19,316,228</u>	<u>\$ 598,107</u>

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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 8 – Conduit Debt (Continued):

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, 2010 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, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Grant fund	\$392,145

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.

Interfund transfers for the year ended September 30, 2010 consisted of the following:

	<u>Transfer in</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Seaplane Base & Marina</u>	
Transfer out:				
General fund	\$ -	\$ 155,251	\$ -	\$ 155,251
Greater downtown TIF district	-	-	152,345	152,345
Nonmajor governmental funds	-	116,321	-	116,321
Water & sewer fund	1,135,844	-	-	1,135,844
Sanitation fund	523,060	-	-	523,060
Stormwater fund	101,896	-	-	101,896
Total	<u>\$ 1,760,800</u>	<u>\$ 271,572</u>	<u>\$ 152,345</u>	<u>\$ 2,184,717</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

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

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 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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 10 – Retirement Plans (Continued):

A. Defined Benefit Plans (continued):

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
Years to vest	Ten years

Contributions The current contribution rate is 21.2 percent of covered payroll and does not include State of Florida contributions of 5.8 percent; the current employee contribution rate is 12.8 percent of covered compensation.

Annual Pension Cost For fiscal year 2010, the City's annual pension cost was \$333,521 and the City's required contribution was \$336,060 for the Police Officers' Pension Plan. Actual contributions were \$348,712. The City's annual pension cost and net pension obligation to the Police Officers' Pension Plan for the current year were as follows:

<u>Net Pension Obligation - NPO</u>	
Annual required contribution (ARC)	\$ 336,060
Interest credit	(14,378)
Adjustment to ARC	<u>11,839</u>
Annual pension cost	333,521
Contributions made	<u>348,712</u>
(Increase) decrease in net pension obligation	(15,191)
Net pension obligation (asset) at beginning of year	<u>(179,720)</u>
Net pension obligation (asset) end of year	<u><u>\$ (194,911)</u></u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 10 – Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

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

City of Tavares Police Officers' Pension Plan Three Year Trend Information			
<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation (Asset)</u>
9/30/2010	\$ 333,521	105%	\$ (194,911)
9/30/2009	296,945	114%	(179,720)
9/30/2008	291,739	110%	(139,542)

Funding Status and Funding Progress As of October 1, 2010, the most recent actuarial valuation date, the plan was 77.5 percent funded. The actuarial accrued liability for benefits was \$7,878,461, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,776,378. The covered payroll (annual payroll of active employees covered by the plan) was \$1,339,009, and the ratio of the UAAL to the covered payroll was 132.7 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.

Actuarial Methods and Assumptions In the October 1, 2010 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, 2010, was 30 years.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 10 – Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

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 21 members. Total retired members and DROP members were 6.

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

Firefighters' Pension Plan - Normal Retirement Benefits	
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 2% 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 21.1 percent of covered payroll and does not include contributions by the State of Florida of 6.4 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.

Annual Pension Cost For fiscal year 2010, the City's annual pension cost was \$335,737 and the City's required contribution was \$339,718 for the Firefighters' Pension Plan. Actual contributions were \$340,662. 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)	\$ 339,718
Interest credit	(22,580)
Adjustment to ARC	18,599
Annual pension cost	<u>335,737</u>
Contributions made	<u>340,662</u>
(Increase) decrease in net pension obligation	(4,925)
Net pension obligation (asset) at beginning of year	<u>(282,249)</u>
Net pension obligation (asset) end of year	<u>\$ (287,174)</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 10 – Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

2. Firefighters’ Pension Plan (Continued)

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)
9/30/2010	\$ 335,737	101.0%	\$ (287,174)
9/30/2009	\$ 255,629	131.0%	(282,249)
9/30/2008	201,578	143.0%	(203,198)

Funding Status and Funding Progress As of October 1, 2010, the most recent actuarial valuation date, the plan was 73.3 percent funded. The actuarial accrued liability for benefits was \$4,115,767, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,098,111. The covered payroll (annual payroll of active employees covered by the plan) was \$1,214,666, and the ratio of the UAAL to the covered payroll was 90.4 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.

Actuarial Methods and Assumptions In the October 1, 2010 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, 2010, 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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 10 – Retirement Plans (Continued):

B. Defined Contribution Plans (Continued)

General Employees Pension Plan (Continued):

retirement to general employees at the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2010, 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 \$20,309.

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.

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, 2010, 106 City employees were members of the FRS Plan.

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

	10/1/2009 6/30/2010	7/1/2010 9/30/2010
Regular employees - members not qualifying for other classes	9.85%	10.77%
Deferred Retirement Option Program (DROP)	10.91%	12.25%
Senior Management Class	13.12%	14.57%

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 10 – Retirement Plans (Continued):

C. Florida Retirement System (Continued):

Included in the above rates are the employer's contribution of 1.11% to the Health Insurance Subsidy (HIS), and 0.15% Investment Plan Fee for implementing the FRS Investment Plan (Public Employee Optional Retirement Program or (PEORP) and providing education services to FRS members for the 2009-2010 fiscal year.

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>Percent (%) Contributed</u>
9/30/2010	\$ 457,438	100%

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.

D. Individual Condensed Fiduciary Fund Statements

Individual statements of fiduciary net assets follow:

CITY OF TAVARES, FLORIDA
Individual Statement of Pension Fund Net Assets
Fiduciary Funds
As of September 30, 2010

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>
Assets:			
Cash and cash equivalents	\$ -	\$ 11,225	\$ -
Investments:			
SunTrust equities	-	671,564	292,014
Exchange Traded Funds	-	431,868	203,374
Common & collective funds - CTF equities	-	1,754,769	842,512
Common & collective funds - fixed income	-	2,515,501	1,238,515
Other pension mutual funds	1,304,532	867,948	331,766
Total investments	<u>1,304,532</u>	<u>6,241,650</u>	<u>2,908,181</u>
Total assets	<u>1,304,532</u>	<u>6,252,875</u>	<u>2,908,181</u>
Liabilities:			
Accounts payable	-	173,015	-
Net Assets Held in Trust For Pension Benefits	<u>\$ 1,304,532</u>	<u>\$ 6,079,860</u>	<u>\$ 2,908,181</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 10 – Retirement Plans (Continued):

**CITY OF TAVARES, FLORIDA
Individual Statement of Changes in Pension Fund Net Assets
Fiduciary Funds
For the Year Ended September 30, 2010**

	General Employees	Police Officers	Firefighters	Totals
Additions:				
Contributions:				
Employer	\$ 20,309	\$ 271,540	\$ 263,047	\$ 554,896
Plan members	-	178,488	42,275	220,763
State	-	77,172	87,939	165,111
Total contributions	<u>20,309</u>	<u>527,200</u>	<u>393,261</u>	<u>940,770</u>
Investment income:				
Net increase in fair value	74,889	511,256	230,634	816,779
Interest	-	36,122	16,708	52,830
Less investment expense	-	(74,262)	(41,012)	(115,274)
Net investment income	<u>74,889</u>	<u>473,116</u>	<u>206,330</u>	<u>754,335</u>
Total additions	95,198	1,000,316	599,591	1,695,105
Deductions:				
Benefits/distributions	-	243,299	105,303	348,602
Total deductions	<u>-</u>	<u>243,299</u>	<u>105,303</u>	<u>348,602</u>
Change in Net Assets	95,198	757,017	494,288	1,346,503
Net Assets - Beginning	<u>1,209,334</u>	<u>5,322,843</u>	<u>2,413,893</u>	<u>8,946,070</u>
Net Assets - Ending	<u>\$ 1,304,532</u>	<u>\$ 6,079,860</u>	<u>\$ 2,908,181</u>	<u>\$ 10,292,573</u>

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%

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 11 – Other Post Employment Benefits (Continued):

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2010 is as follows:

City of Tavares - Other Post Employment Obligations Net OPEB Obligation	
Annual Required Contribution (ARC)	11,788
Interest	7,751
Adjustments to ARC	782
Total AOC	20,321
Contributions made	-
Change in NPO	20,321
Net OPEB obligation at September 30, 2010	60,963

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, 2010, 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, 2010 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 2010:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of APC Contributed	Net OPEB Obligation
9/30/2010	\$ 20,321	0.0%	\$ 60,963
9/30/2009	\$ 40,642	0.0%	\$ 40,642

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	\$ 1,324,435	\$ 20,321	\$ 1,344,756

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 11 – Other Post Employment Benefits (Continued):

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 2010, 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 (RSI) 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 actuarial accrued liabilities for benefits. The schedule of funding progress includes only two years so multi-year comparison are 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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

Note 12 – Risk Management (Continued):

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, 2010. 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 evaluated subsequent events through April 28, 2011, the date the financial statements were available to be issued.

On January 5, 2011, the City Council adopted Resolution 2011-01 providing conduit tax exempt financing for Osprey Lodge Extended Care Facility, Lakeview Crest, LLC, a Florida limited liability company, to be built in the City of Tavares. The City will act only as a conduit agency and will assume no debt obligations related to the financing. The issue was approved for an amount not to exceed \$26,000,000.

On January 5, 2011, the City Council adopted Resolution 2011-02 authorizing application to Florida Department of Environmental Protection (FDEP) State Revolving Loan Program for Phase I of the City's Water Reclamation Project. Phase one of the Project includes reclaim distribution lines and a ground storage tank. On April 20, 2011, the City Council approved execution of a loan agreement with FDEP in the amount of \$4,844,660 and \$57,600 in capitalized interest with a loan term of 20 years.

In May 2010, the USDA Rural Development Agency issued a letter of conditions providing the City a \$1,195,000 grant and a \$15,805,000 low interest loan for a total amount of \$17 million to reconstruct water and wastewater lines in the City's downtown Community Redevelopment District. Although the City approved acceptance of the letter of conditions, no formal loan documents have been executed, but in order to allow the City to incur costs for design of the project within the scope of the USDA Loan, the City adopted Resolution Number 2010-15 on November 17, 2010 to provide for reimbursement to the City of pre-construction costs incurred before the loan is executed.



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REQUIRED SUPPLEMENTARY INFORMATION



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**REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION PLANS**

September 30, 2010

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
2010	\$ 336,060	\$ 348,712	104%	\$ 339,718	\$ 340,662	100%
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%	107,401	115,768	108%
2005	198,693	198,693	100%	105,849	101,615	96%

**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)
10/1/2010	\$ 6,102,083	\$ 7,878,461	\$ 1,776,378	77.5%	\$ 1,339,009	132.7%
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%	1,177,654	44.8%

**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)
10/1/2010	\$ 3,017,656	\$ 4,115,767	\$ 1,098,111	73.3%	\$ 1,214,666	90.4%
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%

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
2010	\$ 23,576	0%	\$ 64,218
2009	40,642	0%	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, 2010

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	48,605	48,605
Miscellaneous	-	-	4,250	4,250
Total revenues	-	-	52,855	52,855
Expenditures:				
Current:				
Physical environment	-	785,709	826,189	(40,480)
Culture and recreation	-	4,489,805	4,015,973	473,832
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	5,275,514	4,842,162	433,352
Excess (Deficiency) of Revenues Over Expenditures	-	(5,275,514)	(4,789,307)	486,207
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	-	(5,275,514)	(4,789,307)	486,207
Fund Balances - Beginning	7,057,211	7,057,211	7,057,211	-
Fund Balances - Ending	<u>\$ 7,057,211</u>	<u>\$ 1,781,697</u>	<u>\$ 2,267,904</u>	<u>\$ 486,207</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, 2010

	Special Revenue			
	Police Training	Police Automation Technology	Police Services Impacts	Fire/Rescue Services Impacts
Assets:				
Cash and cash equivalents	\$ 3,439	\$ 22,649	\$ 134,804	\$ 232,049
Cash with paying agent	-	-	-	-
Receivables, net	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 3,439	\$ 22,649	\$ 134,804	\$ 232,049
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 767	\$ 1,040	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	1,759	7,602
Matured bonds payable	-	-	-	-
Matured interest payable	-	-	-	-
Total liabilities	767	1,040	1,759	7,602
Fund Balances:				
Reserved for debt service	-	-	-	-
Reserved for playground	-	-	-	-
Unreserved	2,672	21,609	133,045	224,447
Total fund balances	2,672	21,609	133,045	224,447
Total liabilities and fund balances	\$ 3,439	\$ 22,649	\$ 134,804	\$ 232,049

Special Revenue				
Police Forfeitures	Parks & Recreation Impacts	Grant Fund	Total	Debt Service Fund
\$ 2,694	\$ 6,930	\$ 433	\$ 402,998	\$ 289,457
-	-	-	-	-
-	-	4,000	4,000	-
-	-	444,869	444,869	-
-	-	-	-	-
<u>\$ 2,694</u>	<u>\$ 6,930</u>	<u>\$ 449,302</u>	<u>\$ 851,867</u>	<u>\$ 289,457</u>
\$ -	\$ -	\$ 51,051	\$ 52,858	\$ -
-	-	-	-	5,770
-	-	392,145	392,145	-
-	-	-	9,361	-
-	-	-	-	140,000
-	-	-	-	8,765
-	-	443,196	454,364	154,535
-	-	-	-	134,922
-	-	-	-	-
2,694	6,930	6,106	397,503	-
2,694	6,930	6,106	397,503	134,922
<u>\$ 2,694</u>	<u>\$ 6,930</u>	<u>\$ 449,302</u>	<u>\$ 851,867</u>	<u>\$ 289,457</u>

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CITY OF TAVARES, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2010

	Permanent Funds			Total Nonmajor Governmental Funds
	Playground Fund	Library Building Fund	Total	
Assets:				
Cash and cash equivalents	\$ 32,554	\$ 22,569	\$ 55,123	\$ 747,578
Cash with paying agent	-	-	-	-
Receivables, net	-	-	-	4,000
Due from other governments	-	-	-	444,869
Due from other funds	-	-	-	-
Total assets	\$ 32,554	\$ 22,569	\$ 55,123	\$ 1,196,447
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 52,858
Accrued liabilities	-	-	-	5,770
Due to other funds	-	-	-	392,145
Unearned revenue	-	20,926	20,926	30,287
Matured bonds payable	-	-	-	140,000
Matured interest payable	-	-	-	8,765
Total liabilities	-	20,926	20,926	629,825
Fund Balances:				
Reserved for debt service				134,922
Reserved for playground	32,554	-	32,554	32,554
Unreserved	-	1,643	1,643	399,146
Total fund balances	32,554	1,643	34,197	566,622
Total liabilities and fund balances	\$ 32,554	\$ 22,569	\$ 55,123	\$ 1,196,447

CITY OF TAVARES, FLORIDA

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

For The Year Ended September 30, 2010

	Special Revenue			
	Police Training	Police Automation Technology	Police Services Impact	Fire/Rescue Services Impact
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	2,662	10,556	-	-
Impact fees/special assessments	-	-	7,250	13,513
Investment income	8	80	348	808
Total revenues	<u>2,670</u>	<u>10,636</u>	<u>7,598</u>	<u>14,321</u>
Expenditures:				
Current:				
Public safety	1,972	18,307	-	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,972</u>	<u>18,307</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>698</u>	<u>(7,671)</u>	<u>7,598</u>	<u>14,321</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(116,321)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,321)</u>
Net Change in Fund Balances	698	(7,671)	7,598	(102,000)
Fund Balances - Beginning	1,974	29,280	125,447	326,447
Fund Balances - Ending	<u>\$ 2,672</u>	<u>\$ 21,609</u>	<u>\$ 133,045</u>	<u>\$ 224,447</u>

Special Revenue				
Police Forfeiture	Parks & Recreation Impact	Grant Fund	Total	Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	723,249	723,249	-
5,414	-	-	18,632	-
-	6,101	-	26,864	-
24	118	-	1,386	275
<u>5,438</u>	<u>6,219</u>	<u>723,249</u>	<u>770,131</u>	<u>275</u>
7,720	-	147,669	175,668	-
-	-	88,850	88,850	-
-	39,700	486,730	526,430	-
-	-	-	-	-
-	-	-	-	240,000
-	-	-	-	81,776
<u>7,720</u>	<u>39,700</u>	<u>723,249</u>	<u>790,948</u>	<u>321,776</u>
<u>(2,282)</u>	<u>(33,481)</u>	<u>-</u>	<u>(20,817)</u>	<u>(321,501)</u>
-	-	-	-	271,572
-	-	-	(116,321)	-
-	-	-	(116,321)	271,572
(2,282)	(33,481)	-	(137,138)	(49,929)
4,976	40,411	6,106	534,641	184,851
<u>\$ 2,694</u>	<u>\$ 6,930</u>	<u>\$ 6,106</u>	<u>\$ 397,503</u>	<u>\$ 134,922</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, 2010

	Permanent Funds			Total Nonmajor Governmental Funds
	Playground Fund	Library Building Fund	Total	
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	723,249
Fines and forfeitures	-	-	-	18,632
Impact fees/special assessments	-	-	-	26,864
Investment income	60	31	91	1,752
Total revenues	<u>60</u>	<u>31</u>	<u>91</u>	<u>770,497</u>
Expenditures:				
Current:				
Public safety	-	-	-	175,668
Physical environment	-	-	-	88,850
Culture and recreation	499	-	499	526,929
Debt service:				
Principal retirement	-	-	-	240,000
Interest and fiscal charges	-	-	-	81,776
Total expenditures	<u>499</u>	<u>-</u>	<u>499</u>	<u>1,113,223</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(439)</u>	<u>31</u>	<u>(408)</u>	<u>(342,726)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	271,572
Transfers out	-	-	-	(116,321)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,251</u>
Net Change in Fund Balances	(439)	31	(408)	(187,475)
Fund Balances - Beginning	32,993	1,612	34,605	754,097
Fund Balances - Ending	<u>\$ 32,554</u>	<u>\$ 1,643</u>	<u>\$ 34,197</u>	<u>\$ 566,622</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, 2010

	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	1,250	1,250	275	(975)
Total revenues	<u>1,250</u>	<u>1,250</u>	<u>275</u>	<u>(975)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	235,000	235,000	240,000	(5,000)
Interest and fiscal charges	37,522	37,522	81,776	(44,254)
Total expenditures	<u>272,522</u>	<u>272,522</u>	<u>321,776</u>	<u>(49,254)</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(271,272)</u>	<u>(271,272)</u>	<u>(321,501)</u>	<u>(50,229)</u>
Other Financing Sources (Uses):				
Transfers in	271,272	271,272	271,572	300
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>271,272</u>	<u>271,272</u>	<u>271,572</u>	<u>300</u>
Net Change in Fund Balances	-	-	(49,929)	(49,929)
Fund Balances - Beginning	184,851	184,851	184,851	-
Fund Balances - Ending	<u>\$ 184,851</u>	<u>\$ 184,851</u>	<u>\$ 134,922</u>	<u>\$ (49,929)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	2,900	2,900	2,662	(238)
Impact fees/special assessments	-	-	-	-
Investment income	-	-	8	8
Total revenues	<u>2,900</u>	<u>2,900</u>	<u>2,670</u>	<u>(230)</u>
Expenditures:				
Current:				
Public safety	3,343	3,343	1,972	1,371
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>3,343</u>	<u>3,343</u>	<u>1,972</u>	<u>1,371</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(443)</u>	<u>(443)</u>	<u>698</u>	<u>1,141</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	(443)	(443)	698	1,141
Fund Balances - Beginning	1,974	1,974	1,974	-
Fund Balances - Ending	<u>\$ 1,531</u>	<u>\$ 1,531</u>	<u>\$ 2,672</u>	<u>\$ 1,141</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	15,000	10,556	10,556	-
Impact fees/special assessments	-	-	-	-
Investment income	-	-	80	80
Total revenues	15,000	10,556	10,636	80
Expenditures:				
Current:				
Public safety	20,000	20,856	18,307	2,549
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	20,000	20,856	18,307	2,549
Excess (Deficiency) of Revenues Over Expenditures	(5,000)	(10,300)	(7,671)	2,629
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	(5,000)	(10,300)	(7,671)	2,629
Fund Balances - Beginning	29,280	29,280	29,280	-
Fund Balances - Ending	\$ 24,280	\$ 18,980	\$ 21,609	\$ 2,629

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	-	-	-	-
Impact fees/special assessments	30,000	10,632	7,250	(3,382)
Investment income	500	500	348	(152)
Total revenues	<u>30,500</u>	<u>11,132</u>	<u>7,598</u>	<u>(3,534)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>30,500</u>	<u>11,132</u>	<u>7,598</u>	<u>(3,534)</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	30,500	11,132	7,598	(3,534)
Fund Balances - Beginning	125,447	125,447	125,447	-
Fund Balances - Ending	<u>\$ 155,947</u>	<u>\$ 136,579</u>	<u>\$ 133,045</u>	<u>\$ (3,534)</u>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	-	-	-	-
Impact fees/special assessments	56,000	13,618	13,513	(105)
Investment income	-	-	808	808
Total revenues	56,000	13,618	14,321	703
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	56,000	13,618	14,321	703
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(116,021)	(116,021)	(116,321)	(300)
Total other financing sources (uses)	(116,021)	(116,021)	(116,321)	(300)
Net Change in Fund Balances	(60,021)	(102,403)	(102,000)	403
Fund Balances - Beginning	326,447	326,447	326,447	-
Fund Balances - Ending	\$ 266,426	\$ 224,044	\$ 224,447	\$ 403

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	-	5,414	5,414	-
Impact fees/special assessments	-	-	-	-
Investment income	-	-	24	24
Total revenues	-	5,414	5,438	24
Expenditures:				
Current:				
Public safety	-	8,400	7,720	680
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	8,400	7,720	680
Excess (Deficiency) of				
Revenues Over Expenditures	-	(2,986)	(2,282)	704
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	-	(2,986)	(2,282)	704
Fund Balances - Beginning	4,976	4,976	4,976	-
Fund Balances - Ending	\$ 4,976	\$ 1,990	\$ 2,694	\$ 704

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Fines and forfeitures	-	-	-	-
Impact fees/special assessments	5,000	6,000	6,101	101
Investment income	300	300	118	(182)
Total revenues	5,300	6,300	6,219	(81)
Expenditures:				
Current:				
Public safety	-	-	-	-
Physical environment	-	-	-	-
Culture and recreation	-	39,700	39,700	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	39,700	39,700	-
Excess (Deficiency) of				
Revenues Over Expenditures	5,300	(33,400)	(33,481)	(81)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	5,300	(33,400)	(33,481)	(81)
Fund Balances - Beginning	40,411	40,411	40,411	-
Fund Balances - Ending	\$ 45,711	\$ 7,011	\$ 6,930	\$ (81)

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	606,132	789,587	723,249	(66,338)
Fines and forfeitures	-	-	-	-
Impact fees/special assessments	-	-	-	-
Investment income	-	-	-	-
Total revenues	<u>606,132</u>	<u>789,587</u>	<u>723,249</u>	<u>(66,338)</u>
Expenditures:				
Current:				
Public safety	132,021	135,726	147,669	(11,943)
Physical environment	-	132,756	88,850	43,906
Culture and recreation	476,437	572,337	486,730	85,607
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>608,458</u>	<u>840,819</u>	<u>723,249</u>	<u>117,570</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(2,326)</u>	<u>(51,232)</u>	<u>-</u>	<u>51,232</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	(2,326)	(51,232)	-	51,232
Fund Balances - Beginning	6,106	6,106	6,106	-
Fund Balances - Ending	<u>\$ 3,780</u>	<u>\$ (45,126)</u>	<u>\$ 6,106</u>	<u>\$ 51,232</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, 2010

	Pension Trust Funds			
	General Employees	Police Officers	Firefighters	Totals
Assets:				
Cash and cash equivalents	\$ -	\$ 11,225	\$ -	\$ 11,225
Investments:				
SunTrust equities	-	671,564	292,014	963,578
Exchange Traded Funds	-	431,868	203,374	635,242
Common & collective funds - CTF equities	-	1,754,769	842,512	2,597,281
Common & collective funds - fixed income	-	2,515,501	1,238,515	3,754,016
Other pension mutual funds	1,304,532	867,948	331,766	2,504,246
Total investments	1,304,532	6,241,650	2,908,181	10,454,363
Total assets	1,304,532	6,252,875	2,908,181	10,465,588
Liabilities:				
Accounts payable	-	173,015	-	173,015
Net Assets Held in Trust For Pension Benefits	\$ 1,304,532	\$ 6,079,860	\$ 2,908,181	\$ 10,292,573

CITY OF TAVARES, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For The Year Ended September 30, 2010

	<u>Pension Trust Funds</u>			
	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Totals</u>
Additions:				
Contributions:				
Employer	\$ 20,309	\$ 271,540	\$ 263,047	\$ 554,896
Plan members	-	178,488	42,275	220,763
State	-	77,172	87,939	165,111
Total contributions	<u>20,309</u>	<u>527,200</u>	<u>393,261</u>	<u>940,770</u>
Investment income:				
Net increase in fair value	74,889	511,256	230,634	816,779
Interest	-	36,122	16,708	52,830
Less investment expense	-	(74,262)	(41,012)	(115,274)
Net investment income	<u>74,889</u>	<u>473,116</u>	<u>206,330</u>	<u>754,335</u>
Total additions	95,198	1,000,316	599,591	1,695,105
Deductions:				
Benefits/distributions	-	243,299	105,303	348,602
Total deductions	<u>-</u>	<u>243,299</u>	<u>105,303</u>	<u>348,602</u>
Change in Net Assets	95,198	757,017	494,288	1,346,503
Net Assets - Beginning	<u>1,209,334</u>	<u>5,322,843</u>	<u>2,413,893</u>	<u>8,946,070</u>
Net Assets - Ending	<u>\$ 1,304,532</u>	<u>\$ 6,079,860</u>	<u>\$ 2,908,181</u>	<u>\$ 10,292,573</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, 2010

	<u>General Government</u>	<u>Public Safety</u>	<u>Economic Development</u>	<u>Physical Environment</u>	<u>Culture & Recreation</u>	<u>Total</u>
Land	\$ 1,152,716	\$ 65,937	\$ -	\$ -	\$ 1,188,783	\$ 2,407,436
Intangible assets	3,808	134,406	-	6,764	-	144,978
Buildings	2,049,335	1,000,877	-	2,917	1,017,945	4,071,074
Improvements/infrastructure	-	6,216	-	7,577,012	2,668,640	10,251,868
Machinery/equipment	1,237,889	2,830,098	47,581	1,116,118	1,354,209	6,585,895
Construction in progress	11,613	4,604	37,800	412,927	6,321,793	6,788,737
Total	<u>\$ 4,455,361</u>	<u>\$ 4,042,138</u>	<u>\$ 85,381</u>	<u>\$ 9,115,738</u>	<u>\$ 12,551,370</u>	<u>\$ 30,249,988</u>

	<u>Balance 9/30/2009</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance 9/30/2010</u>
General Government	\$ 4,421,753	\$ 45,685	\$ 12,077	\$ 4,455,361
Public Safety	4,174,649	173,452	305,963	4,042,138
Economic Dev	86,240	45,517	46,376	85,381
Physical Environment	8,248,006	2,078,080	1,210,348	9,115,738
Culture & Recreation	7,968,571	5,520,419	937,620	12,551,370
Total	<u>\$ 24,899,219</u>	<u>\$ 7,863,153</u>	<u>\$ 2,512,384</u>	<u>\$ 30,249,988</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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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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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			
	2001	2002	2003	2004
Governmental activities				
Invested in capital assets, net of related debt	**	**	**	\$ 3,681,282
Restricted	**	**	**	169,097
Unrestricted	**	**	**	3,782,568
Total government activities net assets	**	**	**	7,632,947
Business-type activities				
Invested in capital assets, net of related debt	**	**	**	\$12,711,881
Restricted	**	**	**	3,267,117
Unrestricted	**	**	**	5,117,288
Total business-type activities net assets	**	**	**	21,096,286
Primary government				
Invested in capital assets, net of related debt	**	**	**	\$16,393,163
Restricted	**	**	**	3,436,214
Unrestricted	**	**	**	8,899,856
Total primary government net assets	**	**	**	\$28,729,233

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

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 3,279,495	\$ 4,669,978	\$ 8,934,374	\$ 2,448,345	\$11,503,013	\$12,286,623
211,443	330,686	443,735	8,892,713	559,256	378,453
7,371,687	8,664,451	6,680,746	5,892,606	4,528,925	4,265,666
<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>	<u>\$16,930,742</u>
\$12,899,590	\$12,008,907	\$12,217,957	\$12,458,902	\$13,570,146	\$15,382,496
3,473,860	3,473,963	3,879,231	3,560,828	4,263,939	4,356,923
6,842,877	10,534,843	11,606,473	12,308,051	10,986,019	10,646,671
<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>	<u>\$30,386,090</u>
\$16,179,085	\$16,678,885	\$21,152,331	\$14,907,247	\$25,073,159	\$27,669,119
3,685,303	3,804,649	4,322,966	12,453,541	4,823,195	4,735,376
14,214,564	19,199,294	18,287,219	18,200,657	15,514,944	14,912,337
<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>	<u>\$47,316,832</u>

CITY OF TAVARES, FLORIDA

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

(accrual basis of accounting)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses										
Governmental activities:										
General government	**	**	**	\$ 1,596,968	\$ 1,545,846	\$ 1,920,959	\$ 2,070,850	\$ 2,636,200	\$ 2,760,070	\$ 2,595,668
Public safety	**	**	**	3,151,377	3,418,213	3,740,687	5,062,429	5,210,828	5,967,840	5,384,407
Physical environment	**	**	**	1,727,790	1,419,048	1,622,968	1,450,968	2,423,147	2,099,378	2,082,370
Economic environment	**	**	**	**	**	**	**	474,877	421,225	374,745
Culture & recreation	**	**	**	1,286,432	1,408,810	1,957,263	2,284,356	1,649,694	2,447,157	2,147,376
Interest & other fiscal charges on long-term debt	**	**	**	343,173	297,182	282,156	260,827	536,771	565,029	527,574
Total governmental activities expenses	**	**	**	8,105,740	8,099,099	9,524,033	11,129,430	12,931,517	14,260,699	13,112,140
Business-type activities:										
Water & sewer	**	**	**	3,262,758	4,255,223	4,971,320	5,542,551	5,593,341	5,657,303	5,647,753
Sanitation	**	**	**	1,272,742	1,277,782	1,558,303	1,674,272	1,753,303	1,693,286	1,632,796
Stormwater	**	**	**	136,547	203,773	177,242	216,931	279,931	328,962	284,874
Seaplane Base	**	**	**	**	**	**	**	**	**	233,718
Total business-type activities expenses	**	**	**	4,672,047	5,736,778	6,706,865	7,433,754	7,626,575	7,679,551	7,799,141
Total primary government expenses	**	**	**	\$ 12,777,787	\$ 13,825,877	\$ 16,230,898	\$ 18,563,184	\$ 20,558,092	\$ 21,940,250	\$ 20,911,281
Program Revenues										
Governmental activities:										
Charges for services										
General government	**	**	**	\$ 422,354	\$ 99,011	\$ 59,457	\$ 75,698	\$ 65,955	\$ 58,531	\$ 27,751
Public safety	**	**	**	189,551	202,640	222,588	245,810	228,874	207,377	73,610
Physical environment	**	**	**	33,063	1,915,290	1,789,975	851,806	563,083	284,376	291,976
Economic environment	**	**	**	**	**	**	**	7,300	17,764	16,972
Culture & recreation	**	**	**	117,602	118,977	114,576	136,235	172,487	112,981	113,901
Operating grants and contributions	**	**	**	573,127	474,772	826,303	498,532	546,080	590,825	594,877
Capital grants and contributions	**	**	**	84,038	236,372	7,594	187,448	625,773	443,670	706,155
Total governmental activities program revenues	**	**	**	1,419,735	3,047,062	3,020,463	1,995,529	2,199,552	1,715,524	1,825,242

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	6,211,740
Sanitation	**	**	**	1,612,970	1,632,199	2,014,093	2,149,697	2,198,501	2,198,501	2,310,764
Stormwater	**	**	**	282,273	286,507	305,611	311,354	457,742	457,742	513,257
Operating grants and contributions	**	**	**	72,428	37,332	-	-	-	-	-
Capital grants and contributions	**	**	**	1,628,591	2,262,995	1,837,338	589,958	219,348	796,124	1,751,379
Total business-type activities program revenues	**	**	**	7,595,860	8,896,067	9,988,737	9,487,183	9,290,602	9,867,378	10,787,140
Total government program revenues	**	**	**	\$ 9,015,595	\$ 11,943,129	\$ 13,009,200	\$ 11,482,712	\$ 11,490,154	\$ 11,582,902	\$ 12,612,382
Net (expense)/revenue	-	-	-	-	-	-	-	-	-	-
Governmental activities	**	**	**	\$ (6,686,005)	\$ (5,042,037)	\$ (6,503,570)	\$ (9,133,901)	\$ (10,731,965)	\$ (12,545,175)	\$ (11,286,898)
Business-type activities	**	**	**	2,923,813	3,159,289	3,281,872	2,053,429	1,627,947	2,187,827	3,092,302
Total government net expense	**	**	**	\$ (3,762,192)	\$ (1,882,748)	\$ (3,221,698)	\$ (7,080,472)	\$ (9,104,018)	\$ (10,357,348)	\$ (8,194,596)

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	\$ 5,048,491
Franchise and utility taxes	**	**	**	1,968,197	2,047,601	2,318,089	2,440,647	2,495,763	2,632,956	2,850,432
Intergovernmental	**	**	**	1,833,456	2,108,894	2,389,333	3,452,766	2,579,506	1,942,101	1,938,597
Investment earnings	**	**	**	181,566	474,267	776,602	638,466	167,850	167,850	180,471
Transfers	**	**	**	1,123,191	1,282,911	1,040,556	1,118,331	1,772,718	1,772,718	1,608,455
Total governmental activities	**	**	**	7,218,435	8,271,716	9,306,060	11,527,641	11,896,791	11,902,705	11,626,446
Business-type activities:										
Investment earnings	**	**	**	88,030	243,663	560,070	750,850	77,214	77,214	82,139
Transfers	**	**	**	(1,123,191)	(1,282,911)	(1,040,556)	(1,118,331)	(1,772,718)	(1,772,718)	(1,608,455)
Total business-type activities	**	**	**	(1,035,161)	(1,039,248)	(480,486)	(367,481)	(1,695,504)	(1,695,504)	(1,526,316)
Total government	**	**	**	\$ 6,183,274	\$ 7,232,468	\$ 8,825,574	\$ 11,160,160	\$ 10,201,287	\$ 10,207,201	\$ 10,100,130
Change in Net Assets										
Governmental activities	**	**	**	\$ 532,430	\$ 3,229,679	\$ 2,802,490	\$ 2,393,740	\$ 1,164,826	\$ (642,470)	\$ 339,548
Business-type activities	**	**	**	1,888,652	2,120,041	2,801,386	1,685,948	(67,557)	492,323	1,565,986
Total government	**	**	**	\$ 2,421,082	\$ 5,349,720	\$ 5,603,876	\$ 4,079,688	\$ 1,097,269	\$ (150,147)	\$ 1,905,534

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

CITY OF TAVARES, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE ¹
LAST TEN FISCAL YEARS

(accrual basis of accounting)

Fiscal Year	Property Taxes	Franchise Fees	Utility Taxes	Total Taxes
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
2010	5,048,491	1,085,253	1,765,180	7,898,924

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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General fund				
Reserved	\$ -	\$ 794,258	\$ -	\$ 1,236
Unreserved	1,434,020	2,021,478	2,356,713	2,493,622
Total general fund	<u>\$ 1,434,020</u>	<u>\$ 2,815,736</u>	<u>\$ 2,356,713</u>	<u>\$ 2,494,858</u>
All other governmental funds				
Reserved	\$ 419,096	\$ 455,402	\$ 112,618	\$ 169,097
Unreserved, reported in:				
Special revenue funds	758,627	740,496	7,041,377	5,769,219
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	1,099
Total all other government funds	<u>\$ 1,177,723</u>	<u>\$ 1,195,898</u>	<u>\$ 7,153,995</u>	<u>\$ 5,939,415</u>

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 3,370	\$ 2,344	\$ 5,038	\$ 6,851	\$ 4,765	\$ 4,291
4,338,499	5,457,407	4,174,174	3,163,338	1,979,038	2,256,860
<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>	<u>\$ 2,261,151</u>
\$ 211,443	\$ 330,952	\$ 475,695	\$ 354,727	\$ 437,473	\$ 284,095
5,312,172	3,464,535	2,729,220	2,740,750	2,641,910	2,021,372
-	-	-	8,569,809	7,057,211	2,267,904
1,708	1,927	2,382	1,873	1,612	1,643
<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>	<u>\$ 4,575,014</u>

CITY OF TAVARES, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
<u>Revenues</u>				
Taxes	\$ 2,802,354	\$ 3,029,146	\$ 3,615,560	\$ 4,080,222
Licenses and permits	570,481	294,609	351,346	404,390
Intergovernmental	1,837,067	2,134,420	2,142,025	2,403,987
Charges for services	83,692	108,945	137,607	135,566
Fines and forfeitures	82,353	75,662	116,487	131,237
Impact fees/assessments	388,208	323,258	342,229	58,314
Investment earnings	164,676	69,624	78,229	118,898
Miscellaneous	90,639	209,787	157,474	95,731
Total Revenues	<u>6,019,470</u>	<u>6,245,451</u>	<u>6,940,957</u>	<u>7,428,345</u>
<u>Expenditures</u>				
General government	1,345,078	1,337,936	1,853,639	2,427,036
Public safety	2,283,531	2,592,886	3,390,547	3,109,638
Physical environment	1,229,696	1,430,212	1,382,992	1,679,720
Economic environment	-	-	-	-
Culture & recreation	1,283,354	1,500,048	1,325,058	1,283,160
Capital outlay ¹	-	-	-	-
Debt service				
Principal	298,090	308,890	766,616	683,246
Interest	121,440	106,541	162,161	343,173
Bond issuance costs	-	-	31,791	-
Total expenditures	<u>6,561,189</u>	<u>7,276,513</u>	<u>8,912,804</u>	<u>9,525,973</u>
Excess of revenues over (under) expenditures	(541,719)	(1,031,062)	(1,971,847)	(2,097,628)
<u>Other financing sources (uses)</u>				
Bond and note proceeds	-	-	7,280,000	108,816
Capital lease proceeds	-	1,281,849	527,157	-
Payment to refunded bond escrow agent	-	-	(1,238,296)	-
Transfers in	1,039,393	1,747,617	1,343,905	1,376,822
Transfers out	(433,615)	(598,513)	(441,845)	(253,631)
Total other financing sources (uses)	<u>605,778</u>	<u>2,430,953</u>	<u>7,470,921</u>	<u>1,232,007</u>
Net change in fund balances	<u>\$ 64,059</u>	<u>\$ 1,399,891</u>	<u>\$ 5,499,074</u>	<u>\$ (865,621)</u>
Debt service as a percentage of noncapital expenditures	<u>6.83%</u>	<u>6.05%</u>	<u>12.08%</u>	<u>12.08%</u>

Note:

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

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 4,405,644	\$ 5,099,570	\$ 6,318,078	\$ 7,376,717	\$ 8,020,036	\$ 7,898,924
1,950,426	1,825,939	891,925	594,510	326,424	333,696
2,909,579	3,223,219	4,138,746	3,751,360	2,976,596	3,239,627
142,103	138,070	155,752	178,355	142,389	102,559
87,757	99,372	161,784	71,279	61,931	61,092
111,977	123,195	100,088	183,554	150,285	26,864
264,883	557,181	518,555	331,009	48,503	62,727
209,384	219,421	119,911	189,512	119,347	117,744
<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>	<u>11,843,233</u>
1,650,822	1,888,047	2,316,117	2,505,907	2,622,842	2,486,462
3,619,397	3,795,701	5,485,795	5,558,519	5,565,968	5,106,502
2,091,293	4,530,057	4,343,445	3,025,680	2,431,626	2,616,081
-	-	-	595,986	424,454	373,808
1,566,123	1,989,992	2,198,206	2,771,300	3,877,686	6,534,385
-	-	-	-	-	-
706,927	757,993	789,436	811,151	845,963	1,090,935
297,183	282,156	260,827	486,944	565,029	529,359
-	-	-	-	-	-
<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>	<u>18,737,532</u>
150,008	(1,957,979)	(2,988,987)	(3,079,191)	(4,488,057)	(6,894,299)
-	-	-	8,900,000	-	-
-	307,396	-	200,000	-	-
-	-	-	-	-	-
1,560,494	1,320,699	1,389,418	10,862,352	2,344,891	2,032,372
(277,583)	(280,143)	(271,087)	(9,432,322)	(572,173)	(423,917)
<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>1,608,455</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>\$ (5,285,844)</u>
<u>13.04%</u>	<u>12.03%</u>	<u>10.33%</u>	<u>10.25%</u>	<u>10.42%</u>	<u>12.92%</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
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%
2010	673,747,706	481,822,289	71.51%	191,925,417	28.49%

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>
36,013,763	**	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%
53,648,203	182,149,234	727,395,909	6.9500	727,395,909	100.00%

CITY OF TAVARES, FLORIDA

PROPERTY TAX RATES
DIRECT AND OVERLAPPING¹ GOVERNMENTS
LAST TEN FISCAL YEARS²

Fiscal Year	City of Tavares Operating Millage	Lake County				Lake County School District				St.		
		Operating Millage	Debt Service Millage	MSTU	Total County Millage	Operating Millage	Capital Outlay	Total School Millage	Independent Hospital District	Lake County Water Authority	John's Water Management District	Total Direct & Overlapping Rates
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
2010	6.9500	4.7309	0.1101	0.3853	5.2263	5.2750	2.2480	7.5230	1.0000	0.2405	0.4158	21.3556

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, 2010

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ventas Realty LP	\$ 3,115,047	1	0.64%			
United Partners Group LTD	2,550,950	2	0.53%			
Lake Point Senior Apartment LP	2,445,969	3	0.51%			
Lakeview Crest LLC	2,351,465	4	0.49%			
Lake Saunders Builders LLC	1,779,977	5	0.37%			
CNLBANK	1,683,000	6	0.35%			
Palmer Homes Inc	1,582,627	7	0.33%			
Florida Hospital Waterman	1,179,835	8	0.24%			
Tuscan Cove LLC	1,156,680	9	0.24%			
Turay Daniel J & Carla J.	1,116,080	10	0.23%			
Florida Hospital Waterman				\$ 17,128,867	1	5.66%
Tavares Center Associates				3,184,770	2	1.05%
Tavares Associates, Incorporated				3,134,884	3	1.04%
Sunshine State Christian Homes				2,675,366	4	0.88%
Nationwide Health Properties				2,228,444	5	0.74%
Pringle Properties				2,072,523	6	0.69%
Holiday, Ltd				1,766,917	7	0.58%
Shepherd, Charles W. III & Charles Victor Donahey, Jr.				1,613,993	8	0.53%
Ehler Development				1,531,597	9	0.51%
Florida Motels, Inc.				1,486,110	10	0.49%
Totals	<u>\$ 18,961,630</u>		<u>3.92%</u>	<u>\$ 36,823,471</u>		<u>12.17%</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
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%
2010	4,667,143	4,966,431	106.41%	82,060	5,048,491	108.17%

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	Income ¹			
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	
2010	-	12,470,000	84,875	5,350,000	14,022,438	-	31,927,313	8.89%	2,395	

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
2001	-	-	-	**	-
2002	-	-	-	**	-
2003	-	-	-	**	-
2004	-	-	-	**	-
2005	-	-	-	**	-
2006	-	-	-	**	-
2007	-	-	-	**	-
2008	-	-	-	**	-
2009	-	-	-	**	-
2010					

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, 2010

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, 2010

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	
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
2010	6,278,048	3,437,877	2,840,171	584,554	472,544	1,057,098	2.69

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 & capitalized interest

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>
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%
2010	13,333	359,258	26,945	54.5	12.92	3,163	11.8%

Sources:

Metro Orlando Economic Development Commission
Bureau of Economic and Business Research, University of Florida
Lake County Schools

Note: ** Data not available

CITY OF TAVARES, FLORIDA

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

Employer	2010			2001 ²		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake County Public Schools	5,391	1	15.40%	3,513	1	**
Florida Hospital Waterman ³	1,500	2	4.29%	1,500	2	**
Lake County Sheriff's Office ⁴	766	4	2.19%	**	**	**
Lake County Board of County Commissioners	761	3	2.17%	**	**	**
Cornerstone Hospice	468	5	1.34%	**	**	**
SunState Carriers ⁵	375	9	1.07%	**	**	**
Lake County Clerk of Court	220	6	0.63%	125	**	**
G&T Conveyor	141	6	0.40%	125	**	**
City of Tavares	161	8	0.46%	**	**	**
Lake County Tax Collector	64	10	0.18%	**	**	**
Total	<u>9,847</u>		<u>28.13%</u>			

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
3. Florida Hospital Waterman website; data as of 2009
4. Lake County Sheriff website; data as of 2009
5. indeed.com

CITY OF TAVARES, FLORIDA

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	28	29	29	29	28	27	29	31	30	29
Public safety										
Police										
Sworn officers	21	21	23	23	24	24	27	31	31	29
Non-sworn officers	-	-	-	-	-	-	-	-	-	1
Civilians ^{1 & 2}	12	1	1	1	2	2	11	11	11	9
Fire										
Firefighters & officers	13	12	18	18	18	18	24	21	21	21
Civilians	-	1	-	-	-	1	1	1	1	1
Physical environment	6	7	7	7	7	7	7	14	11	8
Economic development	**	**	**	**	**	**	**	2	2	2
Water/Wastewater/SW	20	24	23	24	25	32	33	31	31	29
Sanitation ³	5	5	5	5	7	8	8	8	8	7
Culture & recreation	27	25	25	25	26	28	29	28	27	25
Total	132	125	131	132	137	147	169	177	172	161

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Auto accidents	**	**	**	**	**	489	398	584	626	557
Physical arrests	**	**	**	**	**	351	342	314	333	270
Criminal investigations conducted	**	**	**	**	**	820	354	293	374	259
Total calls for service	**	**	**	**	**	24,875	31,557	36,108	33,412	30,697
911 calls received	**	**	**	**	**	**	3,689	4,108	4,063	**
Evidence processed (pieces)	**	**	**	**	**	**	**	**	**	**
Public education programs	**	**	**	**	**	**	**	100	**	**
Medical responses	**	**	**	**	**	**	**	2,057	2,046	2,214
Community Development										
Total permits issued	**	**	**	**	**	1,335	953	858	1,148	1,052
Construction inspections	**	**	**	**	**	7,549	2,003	2,495	1,650	2,611
Physical Environment										
Streets paved (miles)	**	**	**	**	**	117	117	118	118	2
Streets resurfaced (miles)	**	**	**	**	**	2	2	-	-	2
Sidewalks/bike paths built or repaired (feet)	**	**	**	**	**	**	**	1,994	10,816	1,065
Culture and Recreation										
Sports complex ball games & field rentals	**	**	**	**	**	**	680	655	765	1,189
Library cards issued	1,768	1,988	1,815	1,591	1,678	1,844	1,762	1,615	1,616	
Water/Wastewater										
New connections	**	**	**	**	1,032	748	375	192	152	112
Number of customers	6,292	5,214	5,605	6,105	6,624	7,426	6,419	6,405	6,120	7,011
Water main breaks	**	**	**	**	**	10	0	9	3	8
Average daily consumption (millions of gallons)	**	**	**	**	**	3	3	3	3	3
Meter reads	**	**	**	6,724	7,269	8,141	8,380	8,753	8,876	8,909
General Government										
Employment applications received	**	**	**	**	**	521	829	729	698	829
Personnel actions processed	**	**	**	**	**	275	307	345	242	307
Legal notices published	80	96	108	106	138	184	87	44	27	68
Occupational licenses issued	619	763	761	733	752	772	861	938	956	976
Accidents and injuries reviewed	**	**	**	**	**	18	15	12	14	15
Land use amendments and rezonings	**	**	**	16	18	23	15	25	13	22
License/Permit reviews	**	**	**	**	**	**	1,650	876	579	1,218
Employees paid	**	**	**	**	**	224	203	198	185	203
Checks deposited	**	**	**	65,946	67,924	65,301	63,410	58,533	57,098	35,411
A/P Checks issued ²	14,297	15,596	14,761	4,445	5,427	5,457	6,602	5,812	5,653	5,397
Purchase orders/processed	7,295	7,529	6,881	3,779	3,453	3,549	4,272	4,827	4,390	4,388

Note:

** Data not available

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



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OTHER REPORTS

**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 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 (the City) as of and for the year ended September 30, 2010, and have issued our report thereon dated April 28, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or 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* in a separate letter dated April 28, 2011. 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, 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.

McDiernit Davis & Company, LLC

April 28, 2011

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

Honorable Mayor and City Council
City of Tavares, Florida

Compliance

We have audited the City of Tavares, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal programs are 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 each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's 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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, the City Council, 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.

McDiernit Davis & Company, LLC

April 28, 2011

CITY OF TAVARES, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2010

Award type	Federal CFDA No.	Agency or Pass-through Entity Grant Number	Federal Expenditures
ARRA federal awards -			
United States Department of Housing and Urban Development passed through Board of County Commissioners, Lake County, Florida Community Development Block Grants	14.218		\$ 24,540
United States Department of Justice			
passed through State of Florida, Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.803	2010-ARRC-LAKE-1-W7-073	57,793
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	2009-SB-B9-3255	16,628
United States Department of Environmental Protection Agency			
passed through State of Florida, Department of Environmental Protection Capitalization Grants for Drinking Water State Revolving Funds *	66.468	DW350301 - TAVARES	1,631,626
Other federal awards -			
United States Department of Environmental Protection Agency			
passed through State of Florida, Department of Environmental Protection Capitalization Grants for Clean Water State Revolving Funds *	66.458	WW789060	750,026
United States Department of Housing and Urban Development			
passed through Board of County Commissioners, Lake County, Florida Community Development Block Grants	14.218		72,277
United States Department of the Interior, National Park Service			
passed through State of Florida, Department of Environmental Protection Outdoor Recreation Acquisition, Development and Planning	15.916	LWCF Project No. 12-00555	200,000
United States Department of Justice			
passed through State of Florida, Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2010-JAGD-LAKE-3-4Y-045	3,705
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2010-JAGC-LAKE-4-4X-115	57,600
United States Department of Transportation			
passed through State of Florida, Department of Transportation Highway Safety Funds	20.600	Project No. TR-10-09-08 / APU08	11,943
Total federal awards			\$ 2,826,138

* Denotes a major program

See accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF TAVARES, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2010

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Tavares, Florida (the City) under programs of the federal government for the year ended September 30, 2010. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

CITY OF TAVARES, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS**

Year Ended September 30, 2010

Part A - Summary of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Tavares, Florida (the City).
2. No significant deficiencies relating to the audit of the financial statements are 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, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to each Major 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 programs for the City expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: Capitalization Grants for Clean Water State Revolving Funds (CFDA 66.458) and Capitalization Grants for Drinking Water State Revolving Funds (CFDA 66.468).
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City did not qualify as a low-risk auditee.

Part B - Findings – Financial Statement Audit:

None

Part C - Findings and Questioned Costs – Major Federal Award Programs Audit:

None

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, 2010, and have issued our report thereon dated April 28, 2011. 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 September 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 2010. 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.

MCDIRMIT DAVIS & COMPANY, LLC
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TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

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 April 28, 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

April 28, 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.

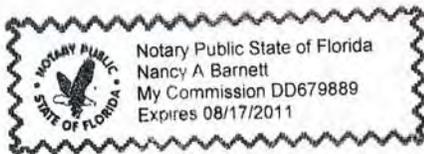
A handwritten signature in black ink that reads "Lori Houghton". The signature is written in a cursive style and is positioned above a horizontal line.

Lori Houghton
Finance Director

State of Florida

County of Lake

The foregoing instrument was acknowledged before me this 4th day of May 2011, by Lori Houghton, Finance Director of the City of Tavares, on behalf of the City of Tavares. She is personally known to me.

A handwritten signature in blue ink that reads "Nancy A Barnett". The signature is written in a cursive style and is positioned above a horizontal line.

Nancy A. Barnett, Notary Public
State of Florida



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MANAGEMENT LETTER



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MANAGEMENT LETTER

Honorable Mayor and City Council
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, 2010, and have issued our report thereon dated April 28, 2011.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters, as well as the Report on Compliance with Requirements Applicable to each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated April 28, 2011, 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 status of management's response to recommendations included in the preceding annual financial audit report is outlined in Appendix A to this report.
- 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, we did not have any such findings.
- 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.

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- 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, this information is disclosed in Appendix B.
- 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, 2010. 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.

McDermitt Davis & Company, LLC

April 28, 2011

CITY OF TAVARES, FLORIDA

APPENDIX A - PRIOR YEAR RECOMMENDATIONS

For the Year Ended September 30, 2010

<u>No.</u>	<u>Prior Year's Observations</u>	<u>Observation is Still Relevant</u>	<u>Observation Addressed or No Longer Relevant</u>
ML-09-01	Record inventory for water sewer fund		X
ML-09-02	Excess of expenditures over appropriations	X	

CITY OF TAVARES, FLORIDA

**APPENDIX B - CURRENT YEAR VIOLATIONS OF LAWS,
RULES, REGULATIONS AND CONTRACTUAL PROVISIONS**

For the Year Ended September 30, 2010

ML-10-01 - Excess of Expenditures over Appropriations

Criteria

Expenditures may not legally exceed appropriations at the department level.

Condition

There are expenditures in excess of appropriations in the Debt Service Fund and the Fire/Rescue Services Impact Special Revenue Fund.

Cause

The budget for expenditures was not amended within 60 days of year end as required by Florida Statutes.

Effect

City is not in compliance with budget.

Recommendation

We recommend that the budget be amended within 60 days of year end and that it take into account possible accruals.

ML-10-02 - Appropriations in Excess of Funds Available

Criteria

Appropriations budgeted in a fund may not be in excess of anticipated revenue and available fund balance.

Condition

The Grant Special Revenue Fund has appropriations in excess of anticipated revenue and available fund balance.

Cause

The available fund balance was less than originally budgeted and the budget was not amended within 60 days of year end as required by Florida Statutes.

Effect

A deficit fund balance could result.

Recommendation

We recommend that the budget be amended within 60 days of year end.



May 3, 2011

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 April 28, 2011 pursuant to the City of Tavares annual audit for fiscal year ended September 30, 2010, please find City of Tavares management responses to the Management Letter Audit Comments:

Management Response to Prior Year Management Comments:

ML-09-01 Record inventory for water sewer fund

Recommendation

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

Management Response:

Management agrees. Management has implemented inventory tracking for supply inventory of the water and sewer department.

ML-09-02 Excess of expenditures over appropriations

Excess of expenditures over appropriations.

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 and adjustments with the final budget review process. Staff will revise year end procedures to *reduce the likelihood of additional transactions that would create unfavorable variances.*

Management Response to Current Year Management Comments:

ML-10-01 – Excess of Expenditures over Appropriations

Criteria

Expenditures may not legally exceed appropriations at the department level.

Condition

There are expenditures in excess of appropriations in the Debt Service Fund and the Fire/Rescue Services Impact Special Revenue Fund

Cause

The budget for expenditures was not amended within 60 days of year end as required Florida Statutes.

Effect

City is not in compliance with budget.

Recommendation

We recommend that the budget be amended within 60 days of year end and that it take into account possible accruals.

Management Response

Management agrees. Although the fiscal year 2010 budget was amended within 60 days of year end some adjustments were missed, thus management will revise year end processes for the final budget amendment to include anticipated accruals.

ML-10-02 – Appropriations in excess of Funds Available

Criteria

Appropriations budgeted in a fund may not be in excess of anticipated revenue and available fund balance.

Condition

The Grant Special Revenue Fund has appropriations in excess of anticipated revenue available fund balance.

Cause

The available fund balance was less than originally budgeted and the budget was not amended within 60 days of year end as required by Florida Statutes.

Effect

A deficit fund balance could result

Recommendation

We recommend that the budget be amended within 60 days of year end.

Management Response

Management agrees. Management will amend the budget within 60 days of year end and will revise procedures to closely review the appropriation of reserves to ensure that appropriations do not exceed the fund balance of any fund.

Sincerely,


Lori Houghton
Finance Director

cc: John Drury, City Administrator

City of Tavares
Comprehensive Annual Financial Report
FY 2009-2010

