

CITY OF TAVARES, FLORIDA

Comprehensive Annual Financial Report for the year ending September 30, 2011



For Business



America's Seaplane City™



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City of Tavares, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2011

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, 2011

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May 19, 2012

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, 2011.

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, 2011. 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 7.68% 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 was increased from 6.25 mills in the prior year to 6.95 mills in fiscal year 2011, taxable assessments resulted in decreased tax levies of \$302,099.

The unemployment rate for the local economy decreased by 1.4% or decreased to 10.6% from 12%. The local unemployment rate remains greater than the state average (10.4%) and the national average (9%). Although increases in occupational licenses issued were not significantly higher than the prior year, new business applications levels remained constant for the year ended September 30, 2011 indicating a constant level of growth in the creation of new businesses.

The number of building permits issued for new construction decreased from the prior year (37%). Although the number of issued permits had decreased, new construction permits remained at moderate growth levels with an increase (41%) in new construction value over the prior year. 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 6.95 mills during fiscal year 2011 (tax year 2010).

Long-term financial planning

Unassigned fund balance in the general fund of 12.6 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/expenditures). 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 completed all aspects of 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 Seaplane Base includes a commuter rail platform, water taxis, marina, aviation and marina fueling station, and retail store. The various transportation components of the Tavares Seaplane Base support the City's vision for a multi-modal transportation system. The Seaplane Base has been a major stimulator for securing new businesses in the downtown CRA. The Seaplane Base project was 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. The City also secured state funding for a portion of a local match requirement as well as shared participation by several Central Florida communities in Lake and Orange Counties.

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

The City will hold a special referendum in March 2012 for issuance of General Obligation Debt to expand the Wooton Park Seaplane Base and Marina in the downtown Lake Dora waterfront. If approved the City will purchase 3.6 acres of adjacent waterfront property and make necessary improvements for an additional boat ramp, to address growing air traffic at the Seaplane Base.

In August, 2011, the City Council approved a business plan to begin construction on an 8,000 square foot Pavilion to serve as a conference center and wedding pavilion. The facility will be a sought after destination for various special events. The location will provide a memorable and unique experience in a spectacular and picturesque location. The Pavilion will be constructed on a Pier extending over Lake Dora providing attendants with an exceptional experience for all meeting groups and weddings. The

attendants with an exceptional experience for all meeting groups and weddings. The Pavilion will provide an added enhancement to the downtown waterfront. The facility will provide an additional source of revenue for the City.

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. It is anticipated that construction for this project will begin in Fiscal Year 2013.

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, 2010. 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tavares
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

CITY OF TAVARES, FLORIDA

LIST OF PRINCIPAL OFFICIALS

Year Ended September 30, 2011

MAYOR

Robert Wolfe

CITY COUNCIL

Bob Grenier, Vice Mayor

Lori Pfister

Kirby Smith

Sandy Gamble

CITY ADMINISTRATOR

John Drury

CITY CLERK

Nancy Barnett

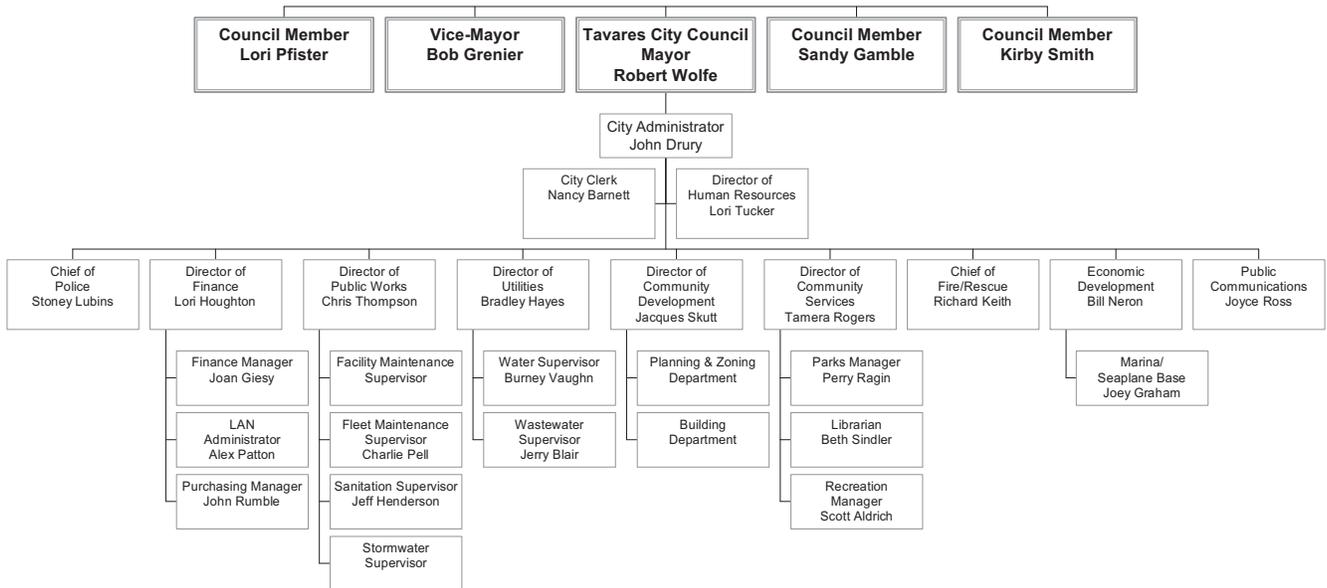
CITY ATTORNEY

Robert Q. Williams

FINANCE DIRECTOR

Lori Houghton

City of Tavares Organizational Chart





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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Tavares, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tavares, Florida (the City), as of and for the year ended September 30, 2011, 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 the 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, as of September 30, 2011, 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 our report dated May 18, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 pension and other postemployment benefits disclosures on pages 3 through 13 and 73, respectively, 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 or 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's financial statements as a whole. The introductory section, combining and individual fund 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 state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements. The combining and individual fund statements and schedules and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate 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 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 or to 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 as a whole. The introductory 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 them.

McDiarmid Davis & Company LLC

Orlando, Florida
May 18, 2012

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, 2011. 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 \$47,556,943 (net assets). Of this amount, \$10,900,049 (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 \$240,111.
- As of the close of the current fiscal year, the City of Tavares governmental funds reported combined ending fund balances of \$5,337,249, a decrease of \$1,498,916 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 a decrease in fund balance for the fiscal year; this decrease was attributed to providing an operating transfer to the Seaplane Base Fund.
- 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, unassigned fund balance for the general fund was \$1,475,998 or 12.6% 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. The Greater Downtown TIF Fund is reported in the financial statements as a blended unit as the City provides all governing board activities. 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 77 and pages 91-98.

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 – 69 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 71 - 73.

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 79 – 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 \$47,556,943 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	
	2011	2010	2011	2010	2011	2010
	Current and other assets	\$ 6,380,246	\$ 9,997,232	\$ 15,302,375	\$ 16,836,127	\$ 21,682,621
Capital assets	22,838,744	22,775,863	35,699,301	34,349,678	58,538,045	57,125,541
Total assets	<u>29,218,990</u>	<u>32,773,095</u>	<u>51,001,676</u>	<u>51,185,805</u>	<u>80,220,666</u>	<u>83,958,900</u>
Long-term liabilities outstanding	19,228,440	13,115,329	18,582,945	19,316,228	37,811,385	32,431,557
Other liabilities	11,972,841	2,727,024	1,816,395	1,483,487	13,789,236	4,210,511
Total liabilities	<u>31,201,281</u>	<u>15,842,353</u>	<u>20,399,340</u>	<u>20,799,715</u>	<u>51,600,621</u>	<u>36,642,068</u>
Net Assets:						
Invested in capital assets, net of related debt	13,351,075	12,286,623	17,448,142	15,382,496	30,799,217	27,669,119
Restricted	1,415,179	378,453	4,442,498	4,356,923	5,857,677	4,735,376
Unrestricted	1,863,858	4,265,666	9,036,191	10,646,671	10,900,049	14,912,337
Total net assets	<u>\$ 16,630,112</u>	<u>\$ 16,930,742</u>	<u>\$ 30,926,831</u>	<u>\$ 30,386,090</u>	<u>\$ 47,556,943</u>	<u>\$ 47,316,832</u>

Sixty-five percent (65%) 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 (12%) 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 \$10,900,049 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 \$240,111 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues -						
Charges for services	\$ 615,152	\$ 524,210	\$ 10,182,642	\$ 9,140,064	\$ 10,797,794	\$ 9,664,274
Operating grants and contributions	637,199	594,877	213,389	-	850,588	594,877
Capital grants and contributions	165,656	706,155	963	1,751,379	166,619	2,457,534
General revenues -						
Property taxes	4,599,218	5,048,491	-	-	4,599,218	5,048,491
Franchise and utility taxes	2,815,717	2,850,432	-	-	2,815,717	2,850,432
Intergovernmental	2,230,871	1,938,597	-	-	2,230,871	1,938,597
Investment income and miscellaneous	130,853	180,471	83,308	82,139	214,161	262,610
Total revenues	11,194,666	11,843,233	10,480,302	10,973,582	21,674,968	22,816,815
Expenses:						
General government	2,573,387	2,595,668	-	-	2,573,387	2,595,668
Public safety	5,578,560	5,384,407	-	-	5,578,560	5,384,407
Physical environment	1,910,497	2,082,370	-	-	1,910,497	2,082,370
Economic environment	418,481	374,745	-	-	418,481	374,745
Culture and recreation	2,240,794	2,147,376	-	-	2,240,794	2,147,376
Interest on long-term debt	486,329	527,574	-	-	486,329	527,574
Water and sewer	-	-	5,687,892	5,647,753	5,687,892	5,647,753
Sanitation	-	-	1,565,724	1,632,796	1,565,724	1,632,796
Stormwater	-	-	415,247	284,874	415,247	284,874
Seaplane base	-	-	557,946	233,718	557,946	233,718
Total expenses	13,208,048	13,112,140	8,226,809	7,799,141	21,434,857	20,911,281
Increase (Decrease) in Net Assets Before Transfers	(2,013,382)	(1,268,907)	2,253,493	3,174,441	240,111	1,905,534
Transfers	1,712,752	1,608,455	(1,712,752)	(1,608,455)	-	-
Increase (Decrease) in Net Assets	(300,630)	339,548	540,741	1,565,986	240,111	1,905,534
Net Assets - Beginning	16,930,742	16,591,194	30,386,090	28,820,104	47,316,832	45,411,298
Net Assets - Ending	\$ 16,630,112	\$ 16,930,742	\$ 30,926,831	\$ 30,386,090	\$ 47,556,943	\$ 47,316,832

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Governmental activities – Governmental activities decreased the City of Tavares's net assets by \$300,630. Key elements of this decrease are as follows:

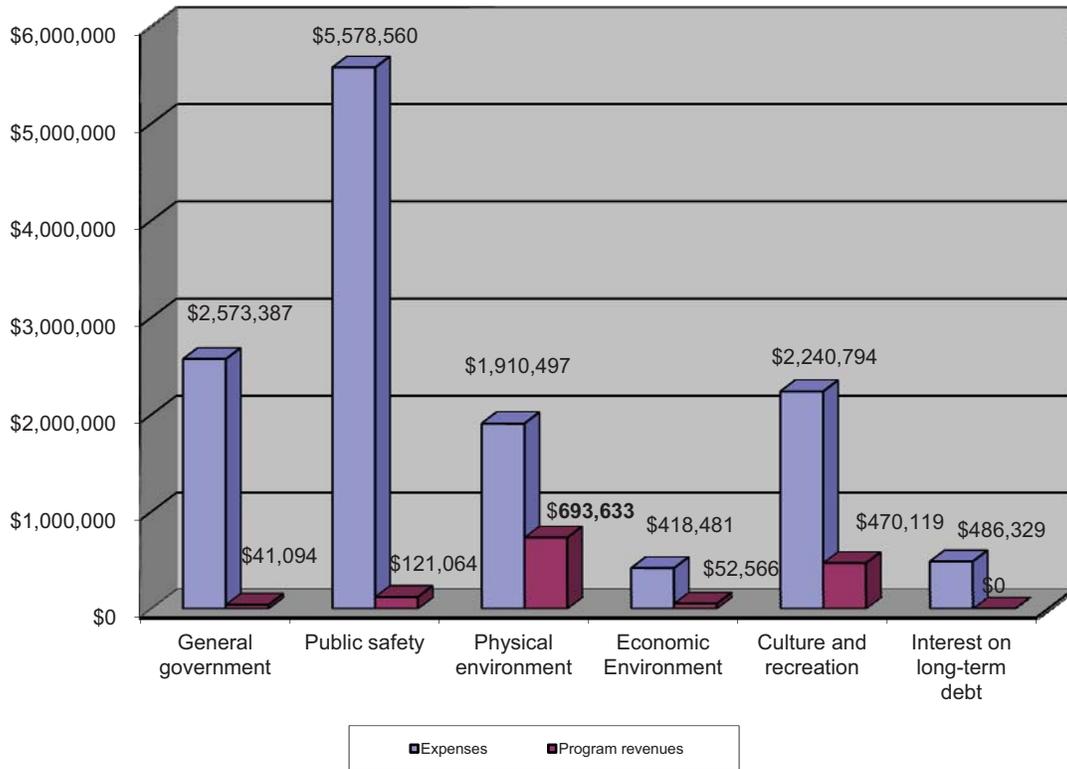
- Property taxes decreased by \$449,273 (9%) during the year as property values continued to decline, franchise fees and utility taxes decreased over the prior year by \$34,715 or 1%. Utility taxes and franchise fee collections are based on gross revenues of payers.
- Expenditures increased across the various functional activities by \$292,274 (15%).
- New construction continued at a moderate pace during the year, the number of new permits issued during the fiscal year rose moderately over the prior fiscal year with permit and business tax revenues increasing by \$30,029 (10%) over the prior fiscal year.

Business-type activities – Overall, net assets increased by approximately 2% from business-type activities during the current year. Unrestricted net assets of the business-type activities at the end of the year amounted to \$9,036,191. 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 Construction Loan with FDEP for Phase I & 2 of the utilities alternative water planning initiatives. It is anticipated that USDA Loan and Grant Funds will be approved for stormwater improvements in the downtown Community Redevelopment Area. Key highlights for business activities during the current year were as follows:

- Charges for services for all business-type activities increased by more than 11%, primarily due to the implementation of base charges for utility services in fiscal year 2010. Water and Sewer revenues increased by \$782,233 in charges for services. Increases to overall business-type activities are attributed to base charges and the operations of the seaplane base.
- Revenues from impact fee collections declined to \$963 due to the reduced construction activity, and an impact fee waiver program for land 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 fiscal year 2011 and will continue through fiscal year 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Expenses and Program Revenues - Governmental Activities

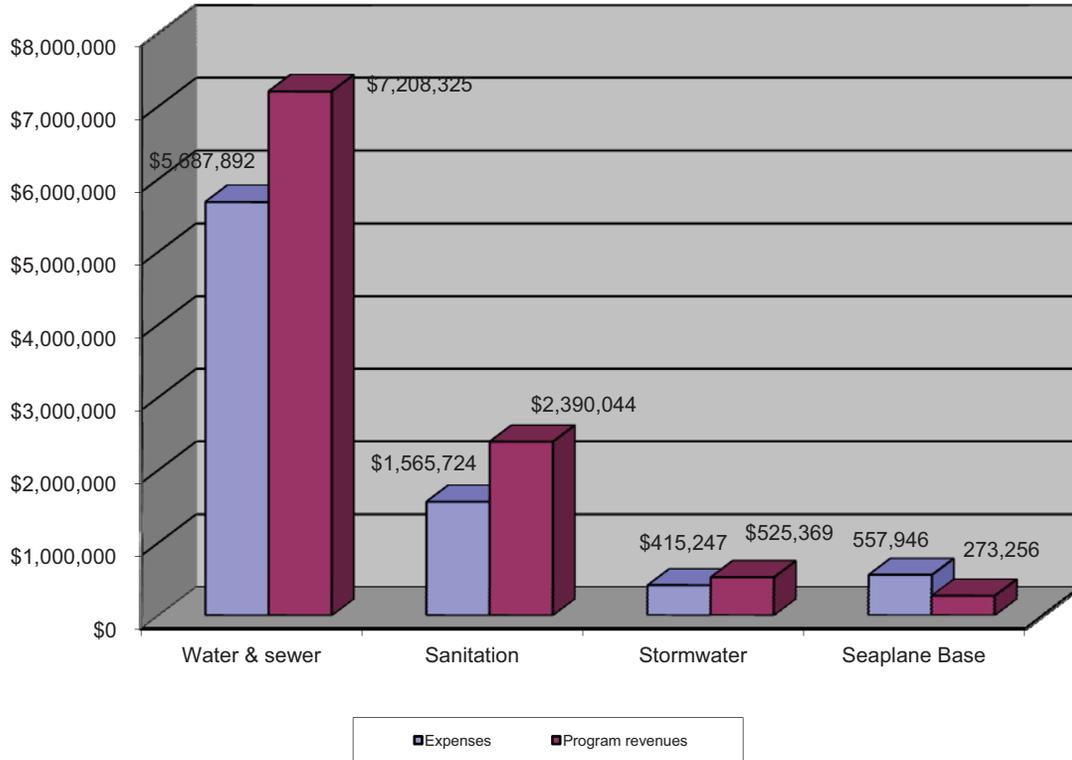


Revenues by Source - Governmental Activities

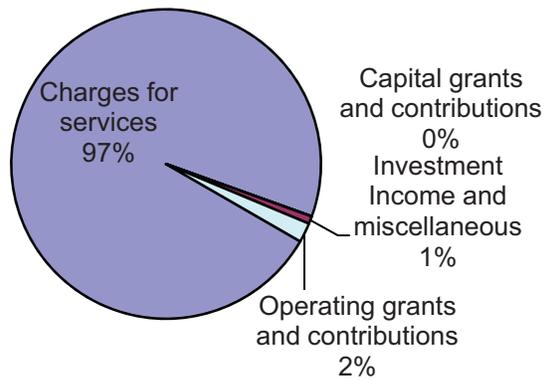


MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

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 \$5,337,249, a decrease of \$1,498,916 in comparison with the prior year. Approximately 27% of this total amount, \$1,475,998 constitutes unassigned 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 assigned for employee dental insurance or restricted: 1) to pay debt service (\$147,081) 2) to fund Community Redevelopment initiatives (36,027), 3) to fund public safety expansion projects (226,931), 4) and to fund various capital projects (\$ 2,911,381); in addition fund balance includes nonspendable amounts for inventories, interfund receivables, and non-expendable trusts.

The general fund is the chief operating fund of the City of Tavares. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,475,998 while total fund balance was \$1,986,259. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12.6% of total general fund expenditures, while total fund balance represents 17% of that same amount.

The fund balance of the general fund decreased by \$274,892 during the current fiscal year. Key factors attributing to the decrease are as follows:

- Expenditures of the current year exceeded revenues.
- Expenditures of the current year increased by \$589,854 (5%) from prior year expenditures.
- Property tax revenues decreased \$411,665 (5%) from the prior fiscal year.

The infrastructure special revenue fund has a total fund balance of \$952,941 which will be used by the City to fund debt service for various capital projects. In the current year, the infrastructure fund expended \$435,854 for the purchase of land and needed equipment. In addition \$1,345,328 was expended for 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 for improvements and ball field expansion at the Woodlea Sports Complex.

The fund balance in the general government capital projects fund decreased by \$332,093. This decrease is attributed to expenditures for the Wooton Park Seaplane Base project in the amount of \$169,692 and expenditures for the road paving projects in the amount of \$167,320. The final phase, conference pavilion on the lake, of the Wooton Park Seaplane Base/Marina project is scheduled for completion in fiscal year 2013.

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 \$9,036,191. Total net assets for proprietary funds increased by \$540,741 (2%). 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

Increases from original budget appropriations and final amended budget appropriations were \$876,725 while original estimated revenues increased by \$770,225. Revenue estimates increased mainly due to estimated increases in tax revenues, intergovernmental revenue, and fines and forfeitures, thus estimated appropriations from fund balance also increased by \$209,416 from original estimates. This was due to unexpected expenditure needs as well as one time capital expenditures. During the year, however actual revenues were less than budgetary estimates by \$392,649, and expenditures were also less than budgetary estimates by \$444,889 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 \$429,380 in increase for physical environment activities was anticipated due transportation impact projects postponed from the following fiscal year.
- \$498,387 in increases was anticipated for public safety activities due to additional overtime requirements and fuel costs.
- \$62,469 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, 2011 amounts to \$58,433,740 (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, some projects have not been moved from construction in progress as of September 30, 2011. 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 Wooton Park in the downtown waterfront for a seaplane base, marina, train depot, splash park, and store. In addition the City has begun the planning phase for the Tavares Pavilion on the Lake Conference Center. The City anticipates the pavilion to become a draw for destination activities in the downtown Tavares waterfront.

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

	Governmental Activities		Business Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 2,713,405	\$ 2,407,436	\$ 388,346	\$ 388,346	\$ 3,101,751	\$ 2,795,782
Intangible assets	104,305	114,655	-	-		
Buildings & improvements	3,414,478	2,513,344	29,396,862	26,633,637	32,811,340	29,146,981
Improvements/infrastructure	14,480,443	9,076,338	-	-	14,480,443	9,076,338
Machinery and equipment	1,333,519	1,875,353	1,640,715	1,840,899	2,974,234	3,716,252
Construction in progress	792,594	6,788,737	4,273,378	5,486,796	5,065,972	12,275,533
Total	<u>\$ 22,838,744</u>	<u>\$ 22,775,863</u>	<u>\$ 35,699,301</u>	<u>\$ 34,349,678</u>	<u>\$ 58,433,740</u>	<u>\$ 57,010,886</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED

Additional information on the City of Tavares’s capital assets can be found in Note 6 on pages 49-50 of this report.

Long-Term Debt – At the end of the current fiscal year, the City of Tavares had total debt outstanding of \$30,049,438. 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		Business Type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Bonds payable	\$ -	\$ -	\$ 4,930,000	\$ 5,350,000	\$ 4,930,000	\$ 5,350,000
Notes payable	11,381,000	12,470,000	13,695,958	14,022,438	25,076,958	26,492,438
Capital lease obligations	43,294	84,875	-	-	43,294	84,875
	<u>\$ 11,424,294</u>	<u>\$ 12,554,875</u>	<u>\$ 18,625,958</u>	<u>\$ 19,372,438</u>	<u>\$ 30,050,252</u>	<u>\$ 31,927,313</u>

The City of Tavares’s total debt decreased by \$1,877,061 (6%) during the current fiscal year, primarily because of the following:

- Principal payments in the general government funds in the amount of \$1,089,000 for notes payable and \$41,581 for capital lease obligations.
- Principal payments in the proprietary funds in the amount of \$420,000 for bonds payable and \$410,045 for State Revolving Fund loans payable. Increases were \$83,565.

In fiscal year 2011, the Water and Sewer Utility entered into a loan with the Florida Department of Environmental Protection for State Revolving Loan funds to begin construction of Phase 1 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 2011 fiscal year.

- The unemployment rate for Lake County at September 30, 2011 was reported at 10.6%. This compares to the state unemployment rate of 10.4% and the national rate of 9%.
- New construction permits increased by a small amount in fiscal year 2011 as new construction permits respond to impact fee waiver incentives. A significant portion of permit revenues can be attributed to new development. It is anticipated that the impact fee waivers will continue to increase new construction in fiscal year 2012.

During the current fiscal year, classifications for fund balance in governmental funds changed due to the implementation of GASB 54, thus the unassigned fund balance in the general fund decreased to \$1,475,998. The City appropriated \$476,910 of this amount for spending in the 2012 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, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 5,468,351	\$ 9,383,823	\$ 14,852,174
Receivables, net	435,588	1,104,685	1,540,273
Inventories	3,156	30,890	34,046
Due from other funds	-	3,663	3,663
Restricted assets:			
Cash and cash equivalents	-	4,442,498	4,442,498
Special assessments receivable	-	18,403	18,403
Bond issuance cost	-	318,413	318,413
Pension assets	473,151	-	473,151
Capital assets not being depreciated	3,505,999	4,661,724	8,167,723
Capital assets being amortized, net	104,305	-	104,305
Capital assets being depreciated, net of accumulated depreciation	19,228,440	31,037,577	50,266,017
Total assets	29,643,802	51,326,171	80,969,973
Liabilities:			
Accounts payable and other current liabilities	904,332	1,340,233	2,244,565
Accrued interest payable	46,191	88,215	134,406
Unearned revenue	90,326	-	90,326
Liabilities payable from restricted assets	-	387,947	387,947
Noncurrent liabilities:			
Due within one year	1,219,354	626,853	1,846,207
Due in more than one year	10,753,487	17,956,092	28,709,579
Total liabilities	13,013,690	20,399,340	33,413,030
Net Assets:			
Invested in capital assets, net of related debt	13,351,075	17,448,142	30,799,217
Restricted for:			
Capital improvements	952,941	4,442,498	5,395,439
Community redevelopment	36,027	-	36,027
Culture and recreation	22,629	-	22,629
Public safety	226,931	-	226,931
Debt service	147,081	-	147,081
Perpetual care-nonexpendable	29,570	-	29,570
Unrestricted	1,863,858	9,036,191	10,900,049
Total Net Assets	\$ 16,630,112	\$ 30,926,831	\$ 47,556,943

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, 2011

Functions/Programs:	Program Revenues						Net (Expense) Revenue and Changes in Net Assets			
	Operating			Capital			Primary Government			
	Charges for Services	Grants and Contributions	Grants and Contributions	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business Activities	Total	
Governmental activities:										
General government	\$ 2,573,387	\$ 41,094	\$ -	\$ -	\$ -	\$ -	\$ (2,532,293)	\$ -	\$ -	\$ (2,532,293)
Public safety	5,578,560	86,891	11,415	22,758	-	-	(5,457,496)	-	-	(5,457,496)
Physical environment	1,910,497	322,005	411,159	-	-	-	(1,177,333)	-	-	(1,177,333)
Economic environment	418,481	15,616	36,950	-	-	-	(365,915)	-	-	(365,915)
Culture and recreation	2,240,794	149,546	177,675	142,898	-	-	(1,770,675)	-	-	(1,770,675)
Interest on long-term debt	486,329	-	-	-	-	-	(486,329)	-	-	(486,329)
Total governmental activities	13,208,048	615,152	637,199	165,656	-	-	(11,790,041)	-	-	(11,790,041)
Business-type activities:										
Water & sewer	5,687,892	6,993,973	213,389	963	-	-	-	1,520,433	-	1,520,433
Sanitation	1,565,724	2,390,044	-	-	-	-	-	824,320	-	824,320
Stormwater utility	415,247	525,369	-	-	-	-	-	110,122	-	110,122
Seaplane base	557,946	273,256	-	-	-	-	-	(284,690)	-	(284,690)
Total business-type activities	8,226,809	10,182,642	213,389	963	-	-	-	2,170,185	-	2,170,185
Total primary government	\$ 21,434,857	\$ 10,797,794	\$ 850,588	\$ 166,619	\$ -	\$ -	(11,790,041)	2,170,185	(9,619,856)	(9,619,856)
General revenues										
Property taxes							4,599,218	-	-	4,599,218
Franchise fees and utility taxes							2,815,717	-	-	2,815,717
Intergovernmental - unrestricted							2,230,871	-	-	2,230,871
Investment income and miscellaneous							130,853	83,308	-	214,161
Transfers							1,712,752	(1,712,752)	-	-
Total general revenues and transfers							11,489,411	(1,629,444)	-	9,859,967
Change in net assets							(300,630)	540,741	-	240,111
Net assets, beginning							16,930,742	30,386,090	-	47,316,832
Net assets, ending							\$ 16,630,112	\$ 30,926,831	\$ -	\$ 47,556,943

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

CITY OF TAVARES, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2011

	General	Infrastructure Special Revenue	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,086,055	\$ 802,482	\$ 38,761	\$ 2,083,422	\$ 457,631	\$ 5,468,351
Receivables, net	229,622	-	50	-	205,916	435,588
Inventories, at cost	3,156	-	-	-	-	3,156
Due from other funds	262,230	-	-	-	-	262,230
Due from other governments	160,861	150,529	-	-	-	311,390
Total assets	<u>\$ 2,741,924</u>	<u>\$ 953,011</u>	<u>\$ 38,811</u>	<u>\$ 2,083,422</u>	<u>\$ 663,547</u>	<u>\$ 6,480,715</u>
Liabilities and Fund Balances:						
Accounts payable	\$ 238,778	\$ 70	\$ 2,784	\$ 147,611	\$ 52,471	\$ 441,714
Accrued liabilities	420,650	-	-	-	5,770	426,420
Due to other funds	-	-	-	-	148,808	148,808
Unearned revenue	60,039	-	-	-	30,287	90,326
Developer deposits	25,210	-	-	-	-	25,210
Other current liabilities	10,988	-	-	-	-	10,988
Total liabilities	<u>755,665</u>	<u>70</u>	<u>2,784</u>	<u>147,611</u>	<u>237,336</u>	<u>1,143,466</u>
Fund balances:						
Nonspendable	265,386	-	-	-	29,570	294,956
Restricted	-	952,941	36,027	1,935,811	249,560	3,174,339
Committed	-	-	-	-	147,081	147,081
Assigned	244,875	-	-	-	-	244,875
Unassigned	1,475,998	-	-	-	-	1,475,998
Total fund balances	<u>1,986,259</u>	<u>952,941</u>	<u>36,027</u>	<u>1,935,811</u>	<u>426,211</u>	<u>5,337,249</u>
Total liabilities and fund balances	<u>\$ 2,741,924</u>	<u>\$ 953,011</u>	<u>\$ 38,811</u>	<u>\$ 2,083,422</u>	<u>\$ 663,547</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	22,838,744
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	473,151
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(46,191)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(11,972,841)</u>
Net assets of governmental activities	<u>\$ 16,630,112</u>

CITY OF TAVARES, FLORIDA

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

For The Year Ended September 30, 2011

	General	Infrastructure Special Revenue	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 7,270,334	\$ -	\$ 144,601	\$ -	\$ -	\$ 7,414,935
Licenses and permits	366,984	-	-	-	-	366,984
Intergovernmental revenues	1,718,879	1,101,927	36,950	-	175,970	3,033,726
Charges for services	154,119	-	-	-	-	154,119
Fines and forfeitures	87,206	-	-	-	6,843	94,049
Investment income	11,681	8,337	181	4,919	1,478	26,596
Miscellaneous	96,657	-	7,600	-	-	104,257
Total revenues	<u>9,705,860</u>	<u>1,110,264</u>	<u>189,332</u>	<u>4,919</u>	<u>184,291</u>	<u>11,194,666</u>
Expenditures:						
Current						
General government	2,452,012	-	389	-	-	2,452,401
Public safety	5,202,404	305,969	-	-	47,176	5,555,549
Physical environment	1,769,080	24,637	-	167,320	22,758	1,983,795
Economic environment	280,182	-	133,495	-	-	413,677
Culture and recreation	1,972,599	105,258	40	169,692	134,562	2,382,151
Debt Service						
Principal retirement	-	880,581	-	-	250,000	1,130,581
Interest and fiscal charges	-	464,747	-	-	23,433	488,180
Total expenditures	<u>11,676,277</u>	<u>1,781,192</u>	<u>133,924</u>	<u>337,012</u>	<u>477,929</u>	<u>14,406,334</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,970,417)</u>	<u>(670,928)</u>	<u>55,408</u>	<u>(332,093)</u>	<u>(293,638)</u>	<u>(3,211,668)</u>
Other Financing Sources (Uses)						
Transfers in	1,985,330	-	-	-	289,820	2,275,150
Transfers out	(289,805)	-	(136,000)	-	(136,593)	(562,398)
Net other financing sources (uses)	<u>1,695,525</u>	<u>-</u>	<u>(136,000)</u>	<u>-</u>	<u>153,227</u>	<u>1,712,752</u>
Net Change in Fund Balances	<u>(274,892)</u>	<u>(670,928)</u>	<u>(80,592)</u>	<u>(332,093)</u>	<u>(140,411)</u>	<u>(1,498,916)</u>
Fund balances - Beginning	<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>
Fund balances - Ending	<u>\$ 1,986,259</u>	<u>\$ 952,941</u>	<u>\$ 36,027</u>	<u>\$ 1,935,811</u>	<u>\$ 426,211</u>	<u>\$ 5,337,249</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, 2011

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)	\$ (1,498,916)
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.	94,861
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.	(8,934)
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.	1,132,432
The net effect of various transactions involving capital assets (i.e., sales, trade-ins and disposals) is to decrease net assets	(31,980)
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>11,907</u>
Change in net assets of governmental activities (page 18)	<u><u>\$ (300,630)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,042,493	\$ 7,270,329	\$ 7,270,334	\$ 5
Licenses and permits	389,050	366,984	366,984	-
Intergovernmental revenues	1,603,849	2,111,476	1,718,879	(392,597)
Charges for services	130,690	154,118	154,119	1
Fines and forfeitures	49,600	87,205	87,206	1
Investment income	42,665	11,742	11,681	(61)
Miscellaneous	69,937	96,655	96,657	2
Total revenues	<u>9,328,284</u>	<u>10,098,509</u>	<u>9,705,860</u>	<u>(392,649)</u>
Expenditures:				
Current:				
General government	2,487,327	2,453,330	2,452,012	1,318
Public safety	4,809,815	5,308,202	5,202,404	105,798
Physical environment	1,664,157	2,093,995	1,769,080	324,915
Economic environment	235,851	280,817	280,182	635
Culture and recreation	2,047,291	1,984,822	1,972,599	12,223
Total expenditures	<u>11,244,441</u>	<u>12,121,166</u>	<u>11,676,277</u>	<u>444,889</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,916,157)</u>	<u>(2,022,657)</u>	<u>(1,970,417)</u>	<u>52,240</u>
Other Financing Sources (Uses)				
Transfers in	1,955,329	1,985,329	1,985,330	1
Transfers out	(156,890)	(289,806)	(289,805)	1
Net other financing sources (uses)	<u>1,798,439</u>	<u>1,695,523</u>	<u>1,695,525</u>	<u>2</u>
Net Change in Fund Balances	<u>(117,718)</u>	<u>(327,134)</u>	<u>(274,892)</u>	<u>52,242</u>
Fund Balances - Beginning	2,261,151	2,261,151	2,261,151	-
Fund Balances - Ending	<u>\$ 2,143,433</u>	<u>\$ 1,934,017</u>	<u>\$ 1,986,259</u>	<u>\$ 52,242</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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 1,066,663	\$ 1,020,008	\$ 1,101,927	\$ 81,919
Investment income	7,500	8,336	8,337	1
Total revenues	<u>1,074,163</u>	<u>1,028,344</u>	<u>1,110,264</u>	<u>81,920</u>
Expenditures:				
Current:				
Public safety	-	305,969	305,969	-
Physical environment	-	30,433	24,637	5,796
Culture and recreation	382,630	141,336	105,258	36,078
Debt service:				
Principal retirement	880,582	880,582	880,581	1
Interest and fiscal charges	465,865	465,865	464,747	1,118
Total expenditures	<u>1,729,077</u>	<u>1,824,185</u>	<u>1,781,192</u>	<u>42,993</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(654,914)</u>	<u>(795,841)</u>	<u>(670,928)</u>	<u>124,913</u>
Net Change in Fund Balances	(654,914)	(795,841)	(670,928)	124,913
Fund Balances - Beginning	1,623,869	1,623,869	1,623,869	-
Fund Balances - Ending	<u>\$ 968,955</u>	<u>\$ 828,028</u>	<u>\$ 952,941</u>	<u>\$ 124,913</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 144,091	\$ 144,600	\$ 144,601	\$ 1
Intergovernmental revenues	44,800	36,950	36,950	-
Investment income	100	179	181	2
Miscellaneous income	-	7,600	7,600	-
Total revenues	<u>188,991</u>	<u>189,329</u>	<u>189,332</u>	<u>3</u>
Expenditures:				
Current:				
General Government	-	392	389	3
Economic environment	146,244	137,615	133,495	4,120
Culture and recreation	2,022	73	40	33
Total expenditures	<u>148,266</u>	<u>138,080</u>	<u>133,924</u>	<u>4,156</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>40,725</u>	<u>51,249</u>	<u>55,408</u>	<u>4,159</u>
Other Financing Sources (Uses):				
Transfers out	<u>(136,000)</u>	<u>(136,000)</u>	<u>(136,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>(136,000)</u>	<u>(136,000)</u>	<u>(136,000)</u>	<u>-</u>
Net Change in Fund Balances	(95,275)	(84,751)	(80,592)	4,159
Fund Balances - Beginning	116,619	116,619	116,619	-
Fund Balances - Ending	<u>\$ 21,344</u>	<u>\$ 31,868</u>	<u>\$ 36,027</u>	<u>\$ 4,159</u>

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

CITY OF TAVARES, FLORIDA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2011

	Business-Type Activities-Enterprise Funds				Total
	Water & Sewer	Sanitation Fund	Stormwater	Seaplane Base	
Assets					
Current assets:					
Cash and cash equivalents	\$ 8,694,558	\$ 394,007	\$ 184,740	\$ 110,518	\$ 9,383,823
Receivables, net	784,527	264,530	54,732	896	1,104,685
Inventories, at cost	4,434	-	-	26,456	30,890
Due from other funds	3,663	-	-	-	3,663
Due from other governments	323,887	608	-	-	324,495
Total current assets	<u>9,811,069</u>	<u>659,145</u>	<u>239,472</u>	<u>137,870</u>	<u>10,847,556</u>
Noncurrent assets:					
Restricted cash and cash equivalents	4,442,498	-	-	-	4,442,498
Bond Issuance cost	318,413	-	-	-	318,413
Special assessments receivable-long term	18,403	-	-	-	18,403
Capital assets:					
Land, buildings and equipment	52,070,612	1,154,598	830,543	7,596	54,063,349
Construction in progress	3,934,364	-	339,014	-	4,273,378
Less accumulated depreciation	(21,135,529)	(1,030,332)	(470,817)	(748)	(22,637,426)
Total capital assets (net of accumulated depreciation)	<u>34,869,447</u>	<u>124,266</u>	<u>698,740</u>	<u>6,848</u>	<u>35,699,301</u>
Total noncurrent assets	<u>39,648,761</u>	<u>124,266</u>	<u>698,740</u>	<u>6,848</u>	<u>40,478,615</u>
Total assets	<u>\$ 49,459,830</u>	<u>\$ 783,411</u>	<u>\$ 938,212</u>	<u>\$ 144,718</u>	<u>\$ 51,326,171</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 872,523	\$ 29,047	\$ 95,076	\$ 3,227	\$ 999,873
Accrued liabilities	170,880	25,075	13,678	13,642	223,275
Due to other funds	-	-	-	117,085	117,085
Customer deposits payable	387,947	-	-	-	387,947
Notes payable	401,853	-	-	-	401,853
Revenue bonds payable	225,000	-	-	-	225,000
Accrued interest payable	88,215	-	-	-	88,215
Total current liabilities	<u>2,146,418</u>	<u>54,122</u>	<u>108,754</u>	<u>133,954</u>	<u>2,443,248</u>
Noncurrent liabilities:					
Other post employment benefit obligations	9,099	3,236	1,038	-	13,373
Notes payable	13,294,105	-	-	-	13,294,105
Revenue bonds payable	4,648,614	-	-	-	4,648,614
Total noncurrent liabilities	<u>17,951,818</u>	<u>3,236</u>	<u>1,038</u>	<u>-</u>	<u>17,956,092</u>
Total liabilities	<u>20,098,236</u>	<u>57,358</u>	<u>109,792</u>	<u>133,954</u>	<u>20,399,340</u>
Net Assets					
Invested in capital assets, net of related debt	16,618,288	124,266	698,740	6,848	17,448,142
Restricted for capital improvements	4,442,498	-	-	-	4,442,498
Unrestricted	8,300,808	601,787	129,680	3,916	9,036,191
Total net assets	<u>\$ 29,361,594</u>	<u>\$ 726,053</u>	<u>\$ 828,420</u>	<u>\$ 10,764</u>	<u>\$ 30,926,831</u>

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

CITY OF TAVARES, FLORIDA

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

For The Year Ended September 30, 2011

	Business-Type Activities-Enterprise Funds				
	Water & Sewer	Sanitation Fund	Stormwater	Seaplane Base	Total
Operating Revenues					
User charges	\$ 6,993,973	\$ 2,390,044	\$ 525,369	\$ 273,256	\$ 10,182,642
Miscellaneous	37,203	982	-	3,500	41,685
Total operating revenues	<u>7,031,176</u>	<u>2,391,026</u>	<u>525,369</u>	<u>276,756</u>	<u>10,224,327</u>
Operating Expenses					
Personal services	1,578,531	365,873	157,171	260,041	2,361,616
Utilities	597,733	891,021	-	38,664	1,527,418
Materials and supplies	376,682	105,986	30,945	175,756	689,369
Repairs and maintenance	236,648	53,220	17,222	5,701	312,791
Depreciation and amortization	1,811,140	73,651	34,808	748	1,920,347
Professional services	357,181	9,630	135,522	39,694	542,027
Other expenses	325,531	66,343	39,579	37,342	468,795
Total operating expenses	<u>5,283,446</u>	<u>1,565,724</u>	<u>415,247</u>	<u>557,946</u>	<u>7,822,363</u>
Operating income (loss)	<u>1,747,730</u>	<u>825,302</u>	<u>110,122</u>	<u>(281,190)</u>	<u>2,401,964</u>
Nonoperating Revenue (Expenses)					
Intergovernmental revenue	213,389	-	-	-	213,389
Investment income	40,296	606	703	18	41,623
Interest expense	(404,446)	-	-	-	(404,446)
Total nonoperating revenue (expense)	<u>(150,761)</u>	<u>606</u>	<u>703</u>	<u>18</u>	<u>(149,434)</u>
Income before contributions and transfers	1,596,969	825,908	110,825	(281,172)	2,252,530
Impact fees	963	-	-	-	963
Transfers in	3,663	-	-	268,915	272,578
Transfers out	(1,159,992)	(636,914)	(188,424)	-	(1,985,330)
Change in net assets	441,603	188,994	(77,599)	(12,257)	540,741
Total Net Assets - Beginning	<u>28,919,991</u>	<u>537,059</u>	<u>906,019</u>	<u>23,021</u>	<u>30,386,090</u>
Total Net Assets - Ending	<u>\$ 29,361,594</u>	<u>\$ 726,053</u>	<u>\$ 828,420</u>	<u>\$ 10,764</u>	<u>\$ 30,926,831</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, 2011

	Business-Type Activities-Enterprise Funds				Total
	Water & Sewer	Sanitation Fund	Stormwater	Seaplane Base	
Cash Flows from Operating Activities:					
Receipts from customers	\$ 6,928,740	\$ 2,382,651	\$ 524,992	\$ 276,316	\$ 10,112,699
Payments to suppliers	(1,542,669)	(1,123,477)	(133,859)	(189,746)	(2,989,751)
Payments to employees	(1,615,564)	(380,351)	(160,897)	(264,362)	(2,421,174)
Net cash provided (used) by operating activities	3,770,507	878,823	230,236	(177,792)	4,701,774
Cash Flows from Non-Capital Financing Activities:					
Decrease in due from other governments	341,244	182	-	-	341,426
Transfers in	3,662	-	-	268,915	272,577
Transfers out	(1,159,992)	(636,914)	(188,424)	-	(1,985,330)
Net cash provided (used) by non-capital financing activities	(815,086)	(636,732)	(188,424)	268,915	(1,371,327)
Cash Flows from Capital and Related Financing Activities:					
Proceeds from capital debt	66,627	-	-	-	66,627
Acquisition of capital assets	(3,051,283)	-	(211,090)	(7,596)	(3,269,969)
Principal paid on long-term debt	(802,014)	-	-	-	(802,014)
Interest paid on long-term-debt	(527,046)	-	-	-	(527,046)
Impact fees received	963	-	-	-	963
Net cash used by capital and related financing activities	(4,312,753)	-	(211,090)	(7,596)	(4,531,439)
Cash Flows from Investing Activities:					
Investment income	40,296	606	703	18	41,623
Net cash provided by investing activities	40,296	606	703	18	41,623
Net Increase (Decrease) In Cash and Cash Equivalents	(1,317,036)	242,697	(168,575)	83,545	(1,159,369)
Cash and Cash Equivalents - Beginning	14,454,091	151,310	353,315	26,973	14,985,689
Cash and Cash Equivalents - End	\$ 13,137,055	\$ 394,007	\$ 184,740	\$ 110,518	\$ 13,826,320
Classified As:					
Cash and cash equivalents	\$ 8,694,557	\$ 394,007	\$ 184,740	\$ 110,518	\$ 9,383,822
Restricted cash and cash equivalents	4,442,498	-	-	-	4,442,498
Total	\$ 13,137,055	\$ 394,007	\$ 184,740	\$ 110,518	\$ 13,826,320

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

	Business-Type Activities-Enterprise Funds				Total
	Water & Sewer	Sanitation Fund	Stormwater	Seaplane Base	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities					
Operating income (loss)	\$ 1,747,730	\$ 825,302	\$ 110,122	\$ (281,190)	\$ 2,401,964
Adjustments Not Affecting Cash:					
Depreciation and amortization	1,811,140	73,651	34,808	748	1,920,347
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(115,094)	(8,375)	(376)	(441)	(124,286)
Increase (decrease) in accounts payable	327,776	(3,781)	86,843	(4,047)	406,791
Increase (decrease) in accrued liabilities	(37,033)	(14,479)	(3,727)	(4,321)	(59,560)
(Increase) in inventory items	(2,414)	-	-	(5,626)	(8,040)
(Increase) in prepaid items	29,406	6,505	2,566	-	38,477
Increase (decrease) in due to other funds	(3,663)	-	-	117,085	113,422
increase (decrease) in customer deposits	12,659	-	-	-	12,659
Total adjustments	2,022,777	53,521	120,114	103,398	2,299,810
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,770,507</u>	<u>\$ 878,823</u>	<u>\$ 230,236</u>	<u>\$ (177,792)</u>	<u>\$ 4,701,774</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, 2011

	<u>Total Pension Funds</u>
Assets:	
Cash and cash equivalents	\$ 43,733
Investments (at fair value):	
Exchange traded Funds	7,876,545
Other pension mutual funds	<u>3,124,627</u>
Total assets	<u>\$ 11,044,905</u>
Liabilities:	
Accounts payable	<u>\$ 175,153</u>
Net Assets:	
Held in trust for pension benefits	<u>\$ 10,869,752</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, 2011

	<u>Total Pension Funds</u>
Additions:	
Contributions:	
Employer	\$ 642,133
Plan members	242,038
State	<u>158,612</u>
Total contributions	<u>1,042,783</u>
Investment income:	
Net increase (decrease) in fair value of investments	(101,958)
Interest	74,070
Less investment expense	<u>(107,857)</u>
Net investment income	<u>(135,745)</u>
 Total additions	 <u>907,038</u>
 Deductions:	
Benefits/distributions	<u>329,859</u>
Total deductions	<u>329,859</u>
 Change in Net Assets	 577,179
 Net Assets - Beginning	 <u>10,292,573</u>
 Net Assets - Ending	 <u>\$ 10,869,752</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, 2011

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.

The City of Tavares Greater Downtown TIF District is reported as a blended unit as the City of Tavares City Council provides all governing board activities related to the TIF district.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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, 2011

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, 2011, the City completed a major seaplane base project at Downtown Wootton Park, and also began planning activities for a convention center/pavilion on Lake Dora which will enhance the downtown waterfront.

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, also referred as Solid Waste 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, 2011

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, 2011

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 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, 2011

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, 2011

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 City during the current fiscal year was \$592,826. Of this amount, \$211,020 was included as 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 prior fiscal year. As of September 30, 2011, the City included software licenses and software purchases as well as trademarks and copyrights held by the City. As the City was a phase-three implementer for GASB Statement No. 34, intangible assets were reported prospectively beginning October 1, 2009. Note 6 of these notes provides details of all 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, 2011

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.

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

During 2011, the City implemented GASB Statement No. 54. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Fund balance classifications under GASB 54 are Nonspendable, Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note 14.

10. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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)

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 \$94,861 difference are as follows:

Capital Outlay	\$ 1,226,913
Depreciation expense	<u>(1,132,052)</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>\$ 94,861</u>

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

The details of this \$(8,934) difference (decrease) are as follows:

Net Pension Asset	<u>\$ (8,934)</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>\$ (8,934)</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 \$1,132,432 difference are as follows:

Debt issued or incurred:	
Interest Payable (net change)	\$ 1,851
Principal repayment	<u>1,130,581</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>\$ 1,132,432</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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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)

The details of this difference are as follows:

Compensated absences	\$	21,335
Other post employment benefits	\$	<u>(9,428)</u>
Net adjustment to decrease <i>net changes in fund balances - total</i> governmental funds to arrive at <i>changes in net assets of</i> <i>governmental activities</i>	\$	<u>11,907</u>

Note 3 – Stewardship, Compliance, and Accountability:

A. Excess of Expenditures over Appropriations

No funds contained excess expenditures over appropriations during the fiscal year ended September 30, 2011.

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 in all funds were within amounts available from revenues and fund balances within each Fund.

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 2011, the City made several amendments to the budget.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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

C. Budgetary Information (Continued)

5. The City cannot legally exceed the budget; however, at any time during the year, the City Council may transfer part or all of any unencumbered appropriation balance among programs within a department and transfer part or all of any unencumbered appropriation balance from one department to another. The City Administrator may not amend the budget without the approval of the City Council. The legal level of budgetary control is at the individual expenditure account (as detailed in the budget), e.g., salaries, general operating supplies, engineering services, etc., since the City Council must approve any over-expenditures of appropriations or transfers of appropriated amounts between line items. Individual fund comparisons at the legal level of budgetary control are included in a separate budgetary report which is available from the Finance Department.

6. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual 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 \$19,293,312, and the bank balance was \$20,040,661. Of this amount \$387,951 represented customer utility deposits. Petty cash funds and working cash for cashier operations of \$1,360 is not on deposit with a financial institution. Fiduciary fund cash of \$11,245 is held by the City on behalf of the police pension fund and is not included in the City's reported bank balance. 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;

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 4 – Deposits and Investments (Continued):

B. Investments (Continued)

3. Interest-bearing time deposits or savings accounts in banks organized under the laws of this state, in national banks organized under the laws of the United States and doing business and situated in this state, in savings and loan associations which are under state supervision, or in federal savings and loan associations located in this state and organized under federal law and federal supervision;

4. Obligations of the federal farm credit banks; the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association; or

5. Obligations of the Federal National Mortgage Association, including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association.

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, 2011 are summarized below. Defined benefit pension plan investments are included below. Investments are reported at fair value in accordance with GASB Statement No. 31.

Investment Type	Fair Value	Rating	Weighted Average Maturity (Years)
State Board of Administration Fund - A Fund	6,058,529	AAAm	52 days
State Board of Administration Fund - B Fund	153,422	Unrated	7.49
SunTrust Interest-Bearing Savings	10,430,642	Unrated	<90 days
SunTrust Interest-Bearing Treasury Fund	2,262,768	Unrated	<90 days
Pension Funds			
Exchange Traded Funds	7,876,545	N/A	N/A
Other Pension Mutual Funds	3,124,627	N/A	N/A

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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, 2011, 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, 2011

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	\$ 270,708	\$ (41,086)	\$ 229,622
Greater Downtown TIF	7,050	(7,000)	50
Nonmajor Special Revenue	205,916	-	205,916
Water & Sewer	985,747	(201,220)	784,527
Sanitation	321,773	(57,244)	264,530
Stormwater	67,229	(12,497)	54,732
Seaplane Base	939	(43)	896
Total	<u>\$ 1,859,363</u>	<u>\$ (319,090)</u>	<u>\$ 1,540,273</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 6 – Capital Assets:

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,407,436	\$ 305,969	\$ -	\$ 2,713,405
Construction in progress	6,788,737	730,873	(6,727,016)	792,594
Total capital assets, not being depreciated:	<u>9,196,173</u>	<u>1,036,842</u>	<u>(6,727,016)</u>	<u>3,505,999</u>
Capital assets, being amortized				
Software/licenses	144,978	22,006	-	166,984
Total capital assets, being amortized	<u>144,978</u>	<u>22,006</u>	<u>-</u>	<u>166,984</u>
Less amortized costs				
Software/licenses	(22,423)	(40,256)	-	(62,679)
Total amortized costs	<u>(22,423)</u>	<u>(40,256)</u>	<u>-</u>	<u>(62,679)</u>
Capital assets, being depreciated:				
Buildings	4,071,074	1,005,288	-	5,076,362
Improvements/Infrastructure	10,251,868	5,815,500	-	16,067,368
Machinery and equipment	6,585,895	74,293	(156,330)	6,503,858
Total capital assets, being depreciated:	<u>20,908,837</u>	<u>6,895,081</u>	<u>(156,330)</u>	<u>27,647,588</u>
Less accumulated depreciation				
Buildings	(1,557,730)	(104,154)	-	(1,661,884)
Improvements/Infrastructure	(1,175,530)	(411,395)	-	(1,586,925)
Machinery and equipment	(4,718,442)	(576,247)	124,350	(5,170,339)
Total accumulated depreciation	<u>(7,451,702)</u>	<u>(1,091,796)</u>	<u>124,350</u>	<u>(8,419,148)</u>
Total capital assets, being amortized/depreciated:	<u>13,579,690</u>	<u>5,785,035</u>	<u>(31,980)</u>	<u>19,332,745</u>
Governmental activities assets, net	<u>\$ 22,775,863</u>	<u>\$ 6,821,877</u>	<u>\$ (6,758,996)</u>	<u>\$ 22,838,744</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 6 – Capital Assets (Continued):

Capital assets, not being depreciated:				
Land	\$ 388,346	\$ -	\$ -	\$ 388,346
Construction in progress	5,486,796	2,840,810	(4,054,228)	4,273,378
Total capital assets, not being depreciated	<u>5,875,142</u>	<u>2,840,810</u>	<u>(4,054,228)</u>	<u>4,661,724</u>
Capital assets, being depreciated:				
Buildings & improvements	44,912,831	3,861,502	(1,060)	48,773,273
Machinery and equipment	4,289,396	612,334	-	4,901,730
Total capital assets, being depreciated	<u>49,202,227</u>	<u>4,473,836</u>	<u>(1,060)</u>	<u>53,675,003</u>
Less accumulated depreciation for:				
Buildings & improvements	(17,885,772)	(1,490,639)	-	(19,376,411)
Machinery and equipment	(2,841,919)	(420,156)	1,060	(3,261,015)
Total accumulated depreciation	<u>(20,727,691)</u>	<u>(1,910,795)</u>	<u>1,060</u>	<u>(22,637,426)</u>
Total capital assets, being depreciated, net	<u>28,474,536</u>	<u>2,563,041</u>	<u>-</u>	<u>31,037,577</u>
Business-type activities capital assets, net	<u>\$ 34,349,678</u>	<u>\$ 5,403,851</u>	<u>\$ (4,054,228)</u>	<u>\$ 35,699,301</u>

Amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 450
Public safety	38,095
Physical environment	1,353
Culture and recreation	358
	<u>\$ 40,256</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 127,946
Public safety	315,129
Physical environment	417,184
Economic Development	6,375
Culture and recreation	225,162
Total depreciation expense - governmental activities	<u>\$ 1,091,796</u>
Business-type activities:	
Water & sewer	\$ 1,801,588
Sanitation	73,651
Stormwater	34,808
Seaplane base & marina	748
Total depreciation expense - business-type activities	<u>\$ 1,910,795</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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:

	Interest Rates and Dates	Maturity	Original Amount	Balance September 30, 2010
Business-type activities:				
Water and Sewer Revenue and Refunding Bonds, Series 2000	5.0 - 5.5% (10/1 & 4/1)	10/1/2000 to 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 to 12/1/2012	<u>\$2,205,000</u>	225,000 <u>\$4,930,000</u>

Year ending September 30,	Business -Type Activities	
	Principal	Interest
2012	225,000	266,150
2013	160,000	255,575
2014	170,000	247,575
2015	180,000	238,863
2016	190,000	229,413
2017-2021	1,105,000	983,125
2022-2026	1,440,000	647,625
2027-2031	<u>1,460,000</u>	<u>206,250</u>
	<u>\$ 4,930,000</u>	<u>\$ 3,074,575</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 \$7,769,000. For the fiscal year, principal and interest paid on this series was \$255,755, and total pledged revenue was \$4,111,981.

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 \$235,575. For the fiscal year, principal and interest paid on this series was \$440,680 and total pledged revenue was \$4,092,086.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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>
Assets -	
Vehicles	\$ 1,292,503
Machinery and equipment	233,805
Less: accumulated depreciation	(1,317,567)
Total	<u>\$ 208,741</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2012	\$ 44,623
Total minimum lease payments	44,623
Less: amount representing interest	(1,329)
	<u>\$ 43,294</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, 2011, a total of \$6,756,865 of project expenditures had been expended for both projects. Although the Wooton Park Project is complete and airport operations have been implemented, some aspects of the project remain and are anticipated to be completed in fiscal year 2012.

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 30, 2011, loan draws in the amount of \$344,640 had been received plus capitalized interest. 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 2011 was \$2,136,758

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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 30, 2011, loan draws in the amount of \$750,026 plus capitalized interest had been applied to the loan. 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 2011 was \$2,136,758.

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 Series 2008	Capital Improvement Revenue Note 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 09/30/11	\$ 2,825,000	\$ 150,000	\$ 215,000	\$ 6,860,000	\$ 1,331,000

	Business-Type Activities			
	State Revolving Loan WW 05P	State Revolving Loan WW60	State Revolving Loan DW31	State Revolving Loan 350910
Original amount issued	\$ 14,706,596	\$ 790,780	\$ 355,490	\$ -
Issue date	04/02/2002	3/17/2009	9/21/2009	5/11/2011
Final maturity	12/15/2035	4/15/2031	11/15/2030	3/15/2032
Interest due	06/15 & 12/15	04/15 & 10/15	05/15 & 11/15	03/15 & 09/15
Interest rate	2.15%-3.07%	2.82%	2.82%	3.70%
Balance 09/30/11	\$ 12,574,106	\$ 790,780	\$ 331,072	\$ -

¹ The City was awarded a loan amount of \$3,144,810, but as 9-30-2011 the City had not drawn against the loan.

Debt service requirements for notes payable at September 30, 2011 are:

Year Ending September 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 1,131,000	\$ 444,555	\$ 459,417	\$ 314,451
2013	1,018,000	400,134	470,053	298,706
2014	941,000	360,316	480,940	287,819
2015	979,000	323,894	492,085	276,674
2016	1,016,000	286,004	503,493	265,266
2017-2021	2,301,000	1,052,727	2,698,256	1,145,539
2022-2026	2,815,000	540,431	3,026,733	816,968
2027-2031	1,180,000	48,021	2,980,703	471,868
2032-2035	-	-	2,584,278	131,137
	\$ 11,381,000	\$ 3,456,081	\$ 13,695,958	\$ 4,008,428

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 7 – Long-Term Debt (Continued):

C. 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 \$3,146,843. For the fiscal year, principal and interest paid on this series was \$628,543, and total pledged revenue was \$1,046,810.

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 \$156,045. For the fiscal year, principal and interest paid on this series was \$156,889, and total pledged revenue was \$1,032,831.

The Fire Station Note (Capital Improvement Revenue Note 2002), Series 2002 is secured by requirement to annually budget and appropriate from legally available non-ad valorem revenues amounts needed for annual debt service payments. The total principal and interest remaining to be paid on this series is \$229,073. For the fiscal year, principal and interest paid on this series was \$116,545.

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 \$9,478,324. For the fiscal year, principal and interest paid on this series was \$557,699, and total pledged revenue was \$1,268,319.

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 \$1,826,797. For the fiscal year, principal and interest paid on this series was \$114,461.

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 and senior debt obligations. Total principal and interest remaining to be paid on the loan was \$16,292,494. For the fiscal year, principal and interest paid on the note was \$678,855. Total pledged revenue for fiscal year 2011 was \$2,136,758.

The State Revolving Loan/ARRA Agreement DW350301 in the amount of \$355,490 is secured by gross revenues of the water and sewer utility after payment of operation and maintenance costs, and senior debt obligations. Total principal and interest remaining to be paid on the loan was \$334,602. For the fiscal year principal and interest paid on the note was \$25,327. Total pledged revenue for fiscal year 2011 was \$2,136,758.

The State Revolving Loan State Revolving Loan Agreement WW789060 in the amount of \$790,779 including capitalized interest is secured by gross revenues of the water and sewer utility after payment of operation and maintenance costs and senior debt obligations. Total principal and interest remaining to be paid on the loan was \$790,779. Total pledged revenue for fiscal year 2011 was \$2,136,758.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 7 – Long-Term Debt (Continued):

D. Changes in Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital Lease	\$ 84,875	\$ -	\$ (41,581)	\$ 43,294	\$ 43,294
Notes payable					
Capital improvement	\$ 7,135,000	\$ -	\$ (275,000)	6,860,000	\$ 290,000
Capital improvement	1,390,000	-	(59,000)	1,331,000	61,000
Sales tax	3,330,000	-	(505,000)	2,825,000	525,000
Public improvement	295,000	-	(145,000)	150,000	150,000
Fire station	320,000	-	(105,000)	215,000	105,000
Total notes payable	12,470,000	-	(1,089,000)	11,381,000	1,131,000
Other post employment benefits	49,695	9,428	-	59,123	-
Compensated absences	510,759	48,913	(70,248)	489,424	45,060
Governmental activity long-term liabilities	<u>\$ 13,115,329</u>	<u>\$ 58,341</u>	<u>\$ (1,200,829)</u>	<u>\$ 11,972,841</u>	<u>\$ 1,219,354</u>
Business-type activities:					
Bonds payable -					
Revenue bonds	\$ 5,350,000	\$ -	\$ (420,000)	\$ 4,930,000	\$ 225,000
Less deferred amount:					
Issuance discount	(51,922)	-	2,607	(49,315)	-
Loss on defeasance	(15,556)	-	8,485	(7,071)	-
Total bonds payable	5,282,522	-	(408,908)	4,873,614	225,000
Capital lease	-	-	-	-	-
State revolving loans	14,022,438	83,565	(410,045)	13,695,958	401,853
Other post employment benefits	11,268	2,105	-	13,373	-
Business-type activity long term liabilities	<u>\$ 19,316,228</u>	<u>\$ 85,670</u>	<u>\$ (818,953)</u>	<u>\$ 18,582,945</u>	<u>\$ 626,853</u>

Note 8 – Conduit Debt:

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2011 there was an aggregate principal amount of \$1,000,000,000 authorized to be issued; however, no bonds have been issued.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 8 – Conduit Debt (Continued):

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.

The City of Tavares approved the issuance of First Mortgage Revenue Bonds to provide financial assistance to the private-sector entity, Osprey Lodge at Lakeview Crest. The bonds were authorized for three issues: First Mortgage Revenue Bonds, Series 2011A in the amount of \$15,630,000, First Mortgage Taxable Revenue Bonds, Series 2011B in the amount of \$2,735,000, and Adjustable Rate First Mortgage Taxable Revenue Bonds, Series 2011C in the amount of \$5,000,000. . The City is not obligated in any manner for repayment of the issued bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Note 9 – Interfund Receivables, Payables and Transfers:

The composition of due to/from other funds at September 30, 2011 is as follows:

	Non Major Governmental Funds	Seaplane Base	Total
General fund	\$ 145,145	\$ 117,085	\$ 262,230
Water & sewer fund	3,663	-	3,663
Total	<u>\$ 148,808</u>	<u>\$ 117,085</u>	<u>\$ 265,893</u>

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

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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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

Interfund transfers for the year ended September 30, 2011 consisted of the following:

	Transfer in				Total
	General Fund	Nonmajor Governmental Funds	Water Wastewater	Seaplane Base & Marina	
Transfer out:					
General fund	\$ -	\$ 156,890	\$ -	\$ 132,915	\$ 289,805
Greater downtown tif district Nonmajor governmental funds	-	-	-	136,000	136,000
	-	132,930	3,663	-	136,593
Water & sewer fund	1,159,992	-	-	-	1,159,992
Sanitation fund	636,914	-	-	-	636,914
Nonmajor business- type funds	188,424	-	-	-	188,424
Total	\$ 1,985,330	\$ 289,820	\$ 3,663	\$ 268,915	\$ 2,547,728

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. On behalf payments for 2011 were \$73,522 in the Police Officer’s Pension Trust fund and \$85,090 in the Firefighter’s Pension Trust 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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 10 – Retirement Plans (Continued):

A. Defined Benefit Plans (continued):

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

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

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

1. Police Officers' Pension Plan

Plan description The Police Officers' Pension Plan is a single employer defined benefit plan that covers all sworn police officers of the City of Tavares. All full-time police officers are eligible to participate in the plan upon employment. The plan provides retirement, disability, and death benefits to all plan members and their beneficiaries. The plan also provides for an automatic 2% annual cost-of-living increase. As of September 30th, active plan membership was 26. Retired, DROP, terminated vested members, and beneficiaries totaled 9.

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

Police Officers' Pension Plan - Retirement Benefits	
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 20.0 percent of covered payroll and does not include State of Florida contributions of 5.1 percent; the current employee contribution rate is 12.8 percent of covered compensation.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 10 – Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

Annual Pension Cost For fiscal year 2011, the City's annual pension cost was \$398,787 and the City's required contribution was \$392,586 for the Police Officers' Pension Plan. Actual contributions were \$392,586. The City's annual pension cost and net pension obligation to the Police Officers' Pension Plan for the current year were as follows:

Police Officers' Pension Trust Net Pension Obligation - NPO	
Annual required contribution (ARC)	\$ 392,586
Interest credit	(15,593)
Adjustment to ARC	<u>21,794</u>
Annual pension cost	398,787
Contributions made	<u>392,586</u>
(Increase) decrease in net pension obligation	6,201
Net pension obligation (asset) at beginning of year	<u>(194,911)</u>
Net pension obligation (asset) end of year	<u>\$ (188,710)</u>

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

City of Tavares Police Officers' Pension Plan Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2011	\$ 398,787	98%	\$ (188,710)
9/30/2010	333,521	105%	(194,911)
9/30/2009	296,945	114%	(179,720)

Funding Status and Funding Progress As of October 1, 2011, the most recent actuarial valuation date, the plan was 75.5 percent funded. The actuarial accrued liability for benefits was \$8,622,871, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,166,839. The covered payroll (annual payroll of active employees covered by the plan) was \$1,453,783, and the ratio of the UAAL to the covered payroll was 145.6 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, 2011 actuarial valuation, the entry age actuarial cost method with level percent of compensation was used to determine required contributions for the plan. Under plan assumptions the amortization period is closed. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) 6 percent projected salary increase (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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 10 – Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

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 lesser of actuarial assets or 120 percent 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, 2011, was 30 years.

2. Firefighters' Pension Plan

Plan description The Firefighters' Pension Plan is a single employer defined benefit plan that covers all firefighters of the City of Tavares. All fulltime firefighters are eligible to participate in the plan upon employment. The plan provides retirement, disability, and death benefits to all plan members and their beneficiaries. Cost of living increases for retiree benefits are not provided. As of September 30th, the plan's active membership was 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 - 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	Two percent average compensation times credited service through 9/30/1996 plus three percent average compensation times credited service on or after 10/1/1996
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 20.9 percent of covered payroll and does not include contributions by the State of Florida of 5.9 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 2011, the City's annual pension cost was \$390,996 and the City's required contribution was \$388,263 for the Firefighters' Pension Plan. Actual contributions were \$388,263. The City's annual pension cost and net pension obligation to the Firefighters' Pension Plan for the current year were as follows:

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 10 – Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

2. Firefighters' Pension Plan (Continued)

Firefighters' Pension Plan Net Pension Obligation - NPO	
Annual required contribution (ARC)	\$ 388,263
Interest credit	(22,974)
Adjustment to ARC	25,707
Annual pension cost	390,996
Contributions made	388,263
(Increase) decrease in net pension obligation	2,733
Net pension obligation (asset) at beginning of year	(287,174)
Net pension obligation (asset) end of year	<u>\$ (284,441)</u>

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

City of Tavares Firefighter's Pension Plan Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2011	\$ 390,996	99.0%	\$ (284,441)
9/30/2010	335,737	101.0%	(287,174)
9/30/2009	255,629	131.0%	(282,249)

Funding Status and Funding Progress As of October 1, 2011, the most recent actuarial valuation date, the plan was 75.1 percent funded. The actuarial accrued liability for benefits was \$4,650,530, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,158,289. The covered payroll (annual payroll of active employees covered by the plan) was \$1,319,959, and the ratio of the UAAL to the covered payroll was 87.8 percent.

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

Actuarial Methods and Assumptions In the October 1, 2011 actuarial valuation, the entry age actuarial cost method with level percent of compensation was used to determine required contributions for the plan. Under plan assumptions the amortization period is closed. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) 7.5 percent projected salary increase (including merit and cost of living adjustments), d) 3 percent payroll growth. All assumptions included a (3 percent inflation

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 10 – Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

2. Firefighters' Pension Plan (Continued)

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 lesser of actuarial assets or 120 percent 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, 2011, was 30 years.

B. Defined Contribution Plans

General Employees Pension Plan

Plan Description The City of Tavares General Employees' Pension Plan is a single employer defined contribution pension plan established by the City of Tavares to provide benefits at retirement to general employees at the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2011, there were nine plan members. The City is required to contribute 6 percent of annual covered payroll of plan member covered payroll to the plan. Plan provisions and contribution requirements are established and may be amended by the City of Tavares City Council. New employees are not eligible to participate in this plan. All newly hired general employees are automatically enrolled in the Florida Retirement System (FRS).

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

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

City of Tavares employer contributions for the General Employees Pension Plan for the current year were \$21,920.

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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 10 – Retirement Plans (Continued):

C. Florida Retirement System (Continued):

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. Effective July 1, 2011, the Florida Legislature required employees to contribute 3% to the Florida Retirement System for covered payroll. Employee contributions are made pre-tax by the employee.

The FRS offers two plans to covered employees, a traditional defined benefit plan, and a defined benefit plan. At September 30, 2011, 104 City employees were members of the FRS Retirement Plans.

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

	10/1/2010 6/30/2011	7/1/2011 9/30/2011
Regular employees - members not qualifying for other classes	10.77%	4.91%
Deferred Retirement Option Program (DROP)	12.25%	4.42%
Senior Management Cass	14.57%	6.27%

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 2010-2011 fiscal year.

Fiscal Year Ended	Required Contribution	Percent (%) Contributed
9/30/2011	\$ 441,737	100.00%
9/30/2010	457,438	100.00%
9/30/2009	460,919	100.00%

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

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

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 10 – Retirement Plans (Continued):

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, 2011

	General Employees	Police Officers	Firefighters
Assets:			
Cash and cash equivalents	\$ -	\$ 28,680	\$ 15,053
Investments:			
Exchange Traded Funds	-	5,241,373	2,635,172
Other pension mutual funds	1,274,402	1,314,591	535,634
Total investments	1,274,402	6,555,964	3,170,806
Total assets	1,274,402	6,584,644	3,185,859
Liabilities:			
Accounts payable	-	171,178	3,975
Net Assets Held in Trust For Pension Benefits	\$ 1,274,402	\$ 6,413,466	\$ 3,181,884

CITY OF TAVARES, FLORIDA
Individual Statement of Changes in Pension Fund Net Assets
Fiduciary Funds
For the Year Ended September 30, 2011

	General Employees	Police Officers	Firefighters	Totals
Additions:				
Contributions:				
Employer	\$ 21,920	\$ 318,383	\$ 301,830	\$ 642,133
Plan members	-	194,019	48,019	242,038
State	-	73,522	85,090	158,612
Total contributions	21,920	585,924	434,939	1,042,783
Investment income:				
Net increase in fair value	2,962	(74,975)	(29,945)	(101,958)
Interest	-	48,709	25,361	74,070
Less investment expense	-	(67,826)	(40,031)	(107,857)
Net investment income	2,962	(94,092)	(44,615)	(135,745)
Total additions	24,882	491,832	390,324	907,038
Deductions:				
Benefits/distributions	55,012	158,226	116,621	329,859
Total deductions	55,012	158,226	116,621	329,859
Change in Net Assets	(30,130)	333,606	273,703	577,179
Net Assets - Beginning	1,304,532	6,079,860	2,908,181	10,292,573
Net Assets - Ending	\$ 1,274,402	\$ 6,413,466	\$ 3,181,884	\$ 10,869,752

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 10 – Retirement Plans (Continued):

E. Actuarial Assumptions

The following is information as of the most recent actuarial valuation, October 1, 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.

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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 11 – Other Post Employment Benefits (Continued):

The most recent actuarial report for the City's Retiree Continuation Insurance plan was prepared as of October 1, 2010. As of the valuation date, the unfunded actuarial accrued liability (UAAL) for benefits was \$214,829. The covered payroll was \$7,470,019, and the ratio of UAAL to covered payroll was 2.9%

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2011 is as follows:

City of Tavares - Other Post Employment Obligations Net OPEB Obligation	
Annual Required Contribution (ARC)	21,878
Interest	875
Adjustments to ARC	(11,220)
Total AOC	11,533
Contributions made	-
Implicit rate subsidy	(4,467)
Change in NPO	7,066
Net OPEB obligation at September 30, 2011	72,496

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, 2011, one retired employee 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, 2011 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 2011:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of APC Contributed	Net OPEB Obligation
9/30/2011	\$ 11,533	0.0%	\$ 72,496
9/30/2010	20,321	0.0%	60,963
9/30/2009	40,642	0.0%	40,642

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 11 – Other Post Employment Benefits (Continued):

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

	Active Employees	Retired Employees	Total
Annual Medical Premiums Paid	\$ 948,145	\$ 14,411	\$ 962,556
Retiree Premiums Paid	N/A	(4,187)	(4,187)
Implicit Rate Subsidy	(5,882)	5,882	-
Adjustment due to GASB 43/45	N/A	6,647	6,647
Total Medical Benefit Cost	<u>\$ 942,263</u>	<u>\$ 22,753</u>	<u>\$ 965,016</u>

Funded Status and Funding Progress: As of October 1, 2010, 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 \$214,289, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$214,289. The covered annual payroll for active participating employees was \$7,740,019 for fiscal year 2010, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.9%.

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 OPEB actuarial valuation uses the entry age with level percent of compensation actuarial cost method with thirty year open amortization to estimate the unfunded actuarial liability and to determine the annual required contribution. The Plan assumes that 10% of retired employees elect medical coverage, and that no retirees will elect dependent coverage. The actuarial assumptions included a payroll growth rate of 4.0 percent per year, and an annual healthcare cost trend rate of 6.5 percent for fiscal year 2011, and reduced by .5% for fiscal year 2012 with an ultimate rate of 4.5% for fiscal year ending September 30, 2015. An inflation rate of 2.5% for medical trend costs is used. The plan is funded on a pay as you go basis thus an asset valuation method is not presented. 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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 12 – Risk Management:

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

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

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

Note 13 – Commitments and Contingencies:

Litigation

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2011. 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.

Grants

The City participates in several programs that are fully or partially funded by grants received from state, county or federal governmental agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government or agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor. As of September 30, 2011, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

Note 14 – Fund Balance:

In fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This standard promotes clarity and consistency to Fund Balance classifications and categories, making the statements more useful by clarifying the presentation of available resources.

Due to the implementation of GASB Statement No. 54, the components of the fund balance of governmental funds now reflect the classifications described below. Prior year amounts have been restated to reflect these new categories, as described in Note 1.

Non-Spendable – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 14 – Fund Balance (Continued):

Spendable Fund Balance

Restricted – amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws and regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed- amounts that can be used only for the specific purposes determined by a formal action of the Commission, the City’s highest level of decision making authority, with formal action occurring prior to the fiscal year end. Commitments may be changed or lifted only by the Commission taking the same formal action (Ordinance or Resolution) that imposed constraint originally.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Board of Commissioners has delegated the responsibility for assigning fund balance to the City Administrator and/or the Finance Director.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

At September 30, 2011, the city’s governmental fund balances were as follows:

Fund Balances	General	Infrastructure Special Revenue	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Inventory/prepays	\$ 3,156	\$ -	\$ -	\$ -	\$ -	\$ 3,156
Due from other funds	262,230	-	-	-	-	262,230
Non-expendable trust	-	-	-	-	29,570	29,570
Spendable						
Restricted for:						
Community development	-	-	36,027	-	-	36,027
Public safety	-	-	-	-	226,931	226,931
Capital projects	-	952,941	-	1,935,811	-	2,888,752
Culture recreation	-	-	-	-	22,629	22,629
Debt Service	-	-	-	-	147,081	147,081
Committed	-	-	-	-	-	-
Assigned	244,875	-	-	-	-	244,875
Unassigned	1,475,998	-	-	-	-	1,475,998
Total fund balances	<u>1,986,259</u>	<u>952,941</u>	<u>36,027</u>	<u>1,935,811</u>	<u>426,211</u>	<u>5,337,249</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 15 – Other Disclosures:

Subsequent Events

The City has evaluated subsequent events through the date of the independent auditor's report, the date the financial statements were available to be issued.

On January 18, 2012, the City Council accepted a grant from the Florida Department of Environmental Services in the amount of \$750,000; in March the City also accepted a \$250,000 stormwater grant from the Lake County Water Authority. The City has also applied for stormwater funding from the USDA,

On January 27, 2012, the City executed a Capital Lease Agreement with BB&T Bank in the amount of \$633,054. The lease will fund the purchase of a new street sweeper, automated solid waste vehicle, and a VOIP phone system. The lease term for the vehicles is seven years with an annual interest rate of 1.74%. The lease term for the phone system is five years with an annual interest rate of 1.55%.

A general election on March 8, 2012, determined that the City would issue general obligation debt not to exceed \$3.3 million to fund the purchase of land for expansion and improvements to Wooton Park in the Tavares downtown waterfront. On May 18, the City Council awarded RFP 2012-0020 to BB&T to fund the land purchase and improvements for the expansion.

On May 18, 2012, the City Council awarded RFP 2012-0017 to SunTrust Bank to refinance the Wooton Park Capital Improvement Note dated 2008.

REQUIRED SUPPLEMENTARY INFORMATION



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REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION PLANS

September 30, 2011

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
2011	\$ 392,586	\$ 392,586	100%	\$ 388,263	\$ 388,263	100%
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%

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)
10/1/2011	\$ 6,506,032	\$ 8,622,871	\$ 2,116,839	75.5%	\$ 1,453,783	145.6%
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%

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)
10/1/2011	\$ 3,492,241	\$ 4,650,530	\$ 1,158,289	75.1%	\$ 1,319,959	87.8%
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%

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)
10/1/2010	\$ -	\$ 214,289	\$ 214,289	0.0%	\$ 7,470,019	2.9%
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
2011	\$ 11,533	0%	\$ 72,496
2010	20,321	0%	60,963
2009	40,642	0%	40,642

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



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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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ 4,918	\$ 4,919	\$ 1
Total revenues	<u>-</u>	<u>4,918</u>	<u>4,919</u>	<u>1</u>
Expenditures:				
Current:				
Physical environment	-	428,900	167,320	261,580
Culture and recreation	-	510,515	169,692	340,823
Total expenditures	<u>-</u>	<u>939,415</u>	<u>337,012</u>	<u>602,403</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(934,497)</u>	<u>(332,093)</u>	<u>602,404</u>
Net Change in Fund Balances	-	(934,497)	(332,093)	602,404
Fund Balances - Beginning	2,267,904	2,267,904	2,267,904	-
Fund Balances - Ending	<u>\$ 2,267,904</u>	<u>\$ 1,333,407</u>	<u>\$ 1,935,811</u>	<u>\$ 602,404</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, 2011

	Special Revenue			
	Police Training	Police Automation Technology	Police Services Impacts	Fire/Rescue Services Impacts
Assets:				
Cash and cash equivalents	\$ 3,006	\$ 1,125	\$ 123,371	\$ 104,090
Receivables, net	-	-	-	-
Total assets	\$ 3,006	\$ 1,125	\$ 123,371	\$ 104,090
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 295	\$ 1,125	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	1,759	7,602
Total liabilities	295	1,125	1,759	7,602
Fund Balances:				
Restricted	2,711	-	121,612	96,488
Committed	-	-	-	-
Total fund balances	2,711	-	121,612	96,488
Total liabilities and fund balances	\$ 3,006	\$ 1,125	\$ 123,371	\$ 104,090

Special Revenue				
Police Forfeitures	Parks & Recreation Impacts	Grant Fund	Total	Debt Service Fund
\$ 6,120	\$ 11,615	\$ 49	\$ 249,376	\$ 152,851
-	-	205,916	205,916	-
<u>\$ 6,120</u>	<u>\$ 11,615</u>	<u>\$ 205,965</u>	<u>\$ 455,292</u>	<u>\$ 152,851</u>
\$ -	\$ -	\$ 51,051	\$ 52,471	\$ -
-	-	-	-	5,770
-	-	148,808	148,808	-
-	-	-	9,361	-
-	-	199,859	210,640	5,770
6,120	11,615	6,106	244,652	-
-	-	-	-	147,081
<u>6,120</u>	<u>11,615</u>	<u>6,106</u>	<u>244,652</u>	<u>147,081</u>
<u>\$ 6,120</u>	<u>\$ 11,615</u>	<u>\$ 205,965</u>	<u>\$ 455,292</u>	<u>\$ 152,851</u>

(Continued)



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CITY OF TAVARES, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2011

	Permanent Funds			Total Nonmajor Governmental Funds
	Playground Fund	Library Building Fund	Total	
Assets:				
Cash and cash equivalents	\$ 32,721	\$ 22,683	\$ 55,404	\$ 457,631
Receivables, net	-	-	-	205,916
Total assets	<u>\$ 32,721</u>	<u>\$ 22,683</u>	<u>\$ 55,404</u>	<u>\$ 663,547</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 52,471
Accrued liabilities	-	-	-	5,770
Due to other funds	-	-	-	148,808
Unearned revenue	-	20,926	20,926	30,287
Total liabilities	<u>-</u>	<u>20,926</u>	<u>20,926</u>	<u>237,336</u>
Fund Balances:				
Nonspendable	29,570	-	29,570	29,570
Restricted	3,151	1,757	4,908	249,560
Committed	-	-	-	147,081
Total fund balances	<u>32,721</u>	<u>1,757</u>	<u>34,478</u>	<u>426,211</u>
Total liabilities and fund balances	<u>\$ 32,721</u>	<u>\$ 22,683</u>	<u>\$ 55,404</u>	<u>\$ 663,547</u>

CITY OF TAVARES, FLORIDA

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

For The Year Ended September 30, 2011

	Special Revenue			
	Police Training	Police Automation Technology	Police Services Impact	Fire/Rescue Services Impact
Revenues:				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	2,554	869	-	-
Investment income	4	24	408	298
Total revenues	2,558	893	408	298
Expenditures:				
Current:				
Public safety	2,519	22,502	11,841	-
Physical environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,519	22,502	11,841	-
Excess (Deficiency) of Revenues Over Expenditures	39	(21,609)	(11,433)	298
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(128,257)
Total other financing sources (uses)	-	-	-	(128,257)
Net Change in Fund Balances	39	(21,609)	(11,433)	(127,959)
Fund Balances - Beginning	2,672	21,609	133,045	224,447
Fund Balances - Ending	\$ 2,711	\$ -	\$ 121,612	\$ 96,488

Special Revenue				
Police Forfeiture	Parks & Recreation Impact	Grant Fund	Total	Debt Service Fund
\$ -	\$ -	\$ 175,970	\$ 175,970	\$ -
3,420	-	-	6,843	-
6	12	-	752	445
<u>3,426</u>	<u>12</u>	<u>175,970</u>	<u>183,565</u>	<u>445</u>
-	-	10,314	47,176	-
-	-	22,758	22,758	-
-	-	134,562	134,562	-
-	-	-	-	-
-	-	-	-	250,000
-	-	-	-	23,433
<u>-</u>	<u>-</u>	<u>167,634</u>	<u>204,496</u>	<u>273,433</u>
<u>3,426</u>	<u>12</u>	<u>8,336</u>	<u>(20,931)</u>	<u>(272,988)</u>
-	4,673	-	4,673	285,147
-	-	(8,336)	(136,593)	-
<u>-</u>	<u>4,673</u>	<u>(8,336)</u>	<u>(131,920)</u>	<u>285,147</u>
3,426	4,685	-	(152,851)	12,159
2,694	6,930	6,106	397,503	134,922
<u>\$ 6,120</u>	<u>\$ 11,615</u>	<u>\$ 6,106</u>	<u>\$ 244,652</u>	<u>\$ 147,081</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, 2011

	Permanent Funds			Total Nonmajor Governmental Funds
	Playground Fund	Library Building Fund	Total	
Revenues:				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 175,970
Fines and forfeitures	-	-	-	6,843
Investment income	167	114	281	1,478
Total revenues	<u>167</u>	<u>114</u>	<u>281</u>	<u>184,291</u>
Expenditures:				
Current:				
Public safety	-	-	-	47,176
Physical environment	-	-	-	22,758
Culture and recreation	-	-	-	134,562
Debt service:				
Principal retirement	-	-	-	250,000
Interest and fiscal charges	-	-	-	23,433
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,929</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>167</u>	<u>114</u>	<u>281</u>	<u>(293,638)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	289,820
Transfers out	-	-	-	(136,593)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,227</u>
Net Change in Fund Balances	167	114	281	(140,411)
Fund Balances - Beginning	32,554	1,643	34,197	566,622
Fund Balances - Ending	<u>\$ 32,721</u>	<u>\$ 1,757</u>	<u>\$ 34,478</u>	<u>\$ 426,211</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ 444	\$ 445	\$ 1
Total revenues	<u>-</u>	<u>444</u>	<u>445</u>	<u>1</u>
Expenditures:				
Current:				
Debt service:				
Principal retirement	250,000	250,000	250,000	-
Interest and fiscal charges	23,473	26,467	23,433	3,034
Total expenditures	<u>273,473</u>	<u>276,467</u>	<u>273,433</u>	<u>3,034</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(273,473)</u>	<u>(276,023)</u>	<u>(272,988)</u>	<u>3,035</u>
Other Financing Sources (Uses):				
Transfers in	273,473	285,147	285,147	-
Total other financing sources (uses)	<u>273,473</u>	<u>285,147</u>	<u>285,147</u>	<u>-</u>
Net Change in Fund Balances	-	9,124	12,159	3,035
Fund Balances - Beginning	134,922	134,922	134,922	-
Fund Balances - Ending	<u>\$ 134,922</u>	<u>\$ 144,046</u>	<u>\$ 147,081</u>	<u>\$ 3,035</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 2,500	\$ 2,553	\$ 2,554	\$ 1
Investment income	-	4	4	-
Total revenues	<u>2,500</u>	<u>2,557</u>	<u>2,558</u>	<u>1</u>
Expenditures:				
Current:				
Public safety	3,146	2,519	2,519	-
Total expenditures	<u>3,146</u>	<u>2,519</u>	<u>2,519</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(646)</u>	<u>38</u>	<u>39</u>	<u>1</u>
Net Change in Fund Balances	(646)	38	39	1
Fund Balances - Beginning	2,672	2,672	2,672	-
Fund Balances - Ending	<u>\$ 2,026</u>	<u>\$ 2,710</u>	<u>\$ 2,711</u>	<u>\$ 1</u>

CITY OF TAVARES, FLORIDA

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

For The Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ -	\$ 869	\$ 869	\$ -
Investment income	100	24	24	-
Total revenues	<u>100</u>	<u>893</u>	<u>893</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	<u>27,875</u>	<u>22,502</u>	<u>22,502</u>	<u>-</u>
Total expenditures	<u>27,875</u>	<u>22,502</u>	<u>22,502</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(27,775)</u>	<u>(21,609)</u>	<u>(21,609)</u>	<u>-</u>
Net Change in Fund Balances	(27,775)	(21,609)	(21,609)	-
Fund Balances - Beginning	21,609	21,609	21,609	-
Fund Balances - Ending	<u>\$ (6,166)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TAVARES, FLORIDA

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

For The Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees/special assessments	\$ 4,000	\$ -	\$ -	\$ -
Investment income	150	406	408	2
Total revenues	<u>4,150</u>	<u>406</u>	<u>408</u>	<u>2</u>
Expenditures:				
Current:				
Public safety	12,000	11,841	11,841	-
Total expenditures	<u>12,000</u>	<u>11,841</u>	<u>11,841</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,850)</u>	<u>(11,435)</u>	<u>(11,433)</u>	<u>2</u>
Net Change in Fund Balances	(7,850)	(11,435)	(11,433)	2
Fund Balances - Beginning	133,045	133,045	133,045	-
Fund Balances - Ending	<u>\$ 125,195</u>	<u>\$ 121,610</u>	<u>\$ 121,612</u>	<u>\$ 2</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees/special assessments	\$ 25,000	\$ -	\$ -	\$ -
Investment income	500	297	298	1
Total revenues	<u>25,500</u>	<u>297</u>	<u>298</u>	<u>1</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25,500</u>	<u>297</u>	<u>298</u>	<u>1</u>
Other Financing Sources (Uses):				
Transfers out	(116,583)	(128,257)	(128,257)	-
Total other financing sources (uses)	<u>(116,583)</u>	<u>(128,257)</u>	<u>(128,257)</u>	<u>-</u>
Net Change in Fund Balances	(91,083)	(127,960)	(127,959)	1
Fund Balances - Beginning	224,447	224,447	224,447	-
Fund Balances - Ending	<u>\$ 133,364</u>	<u>\$ 96,487</u>	<u>\$ 96,488</u>	<u>\$ 1</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ -	\$ 3,420	\$ 3,420	\$ -
Impact fees/special assessments	-	-	-	-
Investment income	-	5	6	1
Total revenues	-	3,425	3,426	1
Expenditures:				
Total expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	3,425	3,426	1
Net Change in Fund Balances	-	3,425	3,426	1
Fund Balances - Beginning	2,694	2,694	2,694	-
Fund Balances - Ending	\$ 2,694	\$ 6,119	\$ 6,120	\$ 1

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Impact fees/special assessments	\$ 6,000	\$ -	\$ -	\$ -
Investment income	100	11	12	1
Total revenues	<u>6,100</u>	<u>11</u>	<u>12</u>	<u>1</u>
Expenditures:				
Culture and recreation	28,700	12	-	12
Total expenditures	<u>28,700</u>	<u>12</u>	<u>-</u>	<u>12</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(22,600)</u>	<u>(1)</u>	<u>12</u>	<u>13</u>
Other Financing Sources (Uses):				
Transfers in	-	-	4,673	4,673
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,673</u>	<u>4,673</u>
Net Change in Fund Balances	(22,600)	(1)	4,685	4,686
Fund Balances - Beginning	6,930	6,930	6,930	-
Fund Balances - Ending	<u>\$ (15,670)</u>	<u>\$ 6,929</u>	<u>\$ 11,615</u>	<u>\$ 4,686</u>

CITY OF TAVARES, FLORIDA

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

For The Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 82,319	\$ 247,748	\$ 175,970	\$ (71,778)
Total revenues	<u>82,319</u>	<u>247,748</u>	<u>175,970</u>	<u>(71,778)</u>
Expenditures:				
Current:				
Public safety	8,619	11,297	10,314	983
Physical environment	-	22,751	22,758	(7)
Culture and recreation	73,700	213,700	134,562	79,138
Total expenditures	<u>82,319</u>	<u>247,748</u>	<u>167,634</u>	<u>80,114</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>8,336</u>	<u>8,336</u>
Other Financing Sources (Uses):				
Transfers out	-	-	(8,336)	(8,336)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,336)</u>	<u>(8,336)</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning	6,106	6,106	6,106	-
Fund Balances - Ending	<u>\$ 6,106</u>	<u>\$ 6,106</u>	<u>\$ 6,106</u>	<u>\$ -</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

For The Year Ended September 30, 2011

	<u>Pension Trust Funds</u>			
	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Totals</u>
Assets:				
Cash and cash equivalents	\$ -	\$ 28,680	\$ 15,053	\$ 43,733
Investments:				
Exchange Traded Funds	-	5,241,373	2,635,172	7,876,545
Other pension mutual funds	<u>1,274,402</u>	<u>1,314,591</u>	<u>535,634</u>	<u>3,124,627</u>
Total investments	<u>1,274,402</u>	<u>6,555,964</u>	<u>3,170,806</u>	<u>11,001,172</u>
Total assets	<u>1,274,402</u>	<u>6,584,644</u>	<u>3,185,859</u>	<u>11,044,905</u>
Liabilities:				
Accounts payable	<u>-</u>	<u>171,178</u>	<u>3,975</u>	<u>175,153</u>
Net Assets Held in Trust For Pension Benefits	<u>\$ 1,274,402</u>	<u>\$ 6,413,466</u>	<u>\$ 3,181,884</u>	<u>\$ 10,869,752</u>

CITY OF TAVARES, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For The Year Ended September 30, 2011

	Pension Trust Funds			
	General Employees	Police Officers	Firefighters	Totals
Additions:				
Contributions:				
Employer	\$ 21,920	\$ 318,383	\$ 301,830	\$ 642,133
Plan members	-	194,019	48,019	242,038
State	-	73,522	85,090	158,612
Total contributions	<u>21,920</u>	<u>585,924</u>	<u>434,939</u>	<u>1,042,783</u>
Investment income:				
Net increase(decrease) in fair value	2,962	(74,975)	(29,945)	(101,958)
Interest	-	48,709	25,361	74,070
Less investment expense	-	(67,826)	(40,031)	(107,857)
Net investment income	<u>2,962</u>	<u>(94,092)</u>	<u>(44,615)</u>	<u>(135,745)</u>
Total additions	24,882	491,832	390,324	907,038
Deductions:				
Benefits/distributions	<u>55,012</u>	<u>158,226</u>	<u>116,621</u>	<u>329,859</u>
Total deductions	<u>55,012</u>	<u>158,226</u>	<u>116,621</u>	<u>329,859</u>
Change in Net Assets	(30,130)	333,606	273,703	577,179
Net Assets - Beginning	<u>1,304,532</u>	<u>6,079,860</u>	<u>2,908,181</u>	<u>10,292,573</u>
Net Assets - Ending	<u>\$ 1,274,402</u>	<u>\$ 6,413,466</u>	<u>\$ 3,181,884</u>	<u>\$ 10,869,752</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, 2011

	<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	\$ 371,906	\$ -	\$ -	\$ 1,188,783	\$ 2,713,405
Intangible assets	3,808	152,112	-	6,764	4,300	166,984
Buildings	2,049,335	1,000,877	-	25,828	2,000,322	5,076,362
Improvements/infrastructure	-	6,216	-	12,858,513	3,202,639	16,067,368
Machinery/equipment	1,232,999	2,750,516	48,862	1,133,116	1,338,365	6,503,858
Construction in progress	11,612	4,604	-	274,374	502,004	792,594
Total	<u>\$ 4,450,470</u>	<u>\$ 4,286,231</u>	<u>\$ 48,862</u>	<u>\$14,298,595</u>	<u>\$ 8,236,413</u>	<u>\$ 31,320,571</u>

	<u>Balance 9/30/2010</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance 9/30/2011</u>
General Government	\$ 4,455,361	\$ 4,483	\$ 9,374	\$ 4,450,470
Public Safety	4,042,138	332,699	88,606	4,286,231
Economic Dev	85,381	1,281	37,800	48,862
Physical Environment	9,115,738	6,224,184	1,041,327	14,298,595
Culture & Recreation	12,551,370	1,834,793	6,149,750	8,236,413
Total	<u>\$ 30,249,988</u>	<u>\$ 8,397,440</u>	<u>\$ 7,326,857</u>	<u>\$ 31,320,571</u>



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STATISTICAL SECTION



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STATISTICAL SECTION

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

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Financial Trends

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

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

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Operating Information

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

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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			
	2002	2003	2004	2005
Governmental activities				
Invested in capital assets, net of related debt	**	**	\$ 3,681,282	\$ 3,279,495
Restricted	**	**	169,097	211,443
Unrestricted	**	**	3,782,568	7,371,687
Total government activities net assets	**	**	<u>7,632,947</u>	<u>10,862,625</u>
Business-type activities				
Invested in capital assets, net of related debt	**	**	\$12,711,881	\$12,899,590
Restricted	**	**	3,267,117	3,473,860
Unrestricted	**	**	5,117,288	6,842,877
Total business-type activities net assets	**	**	<u>21,096,286</u>	<u>23,216,327</u>
Primary government				
Invested in capital assets, net of related debt	**	**	\$16,393,163	\$16,179,085
Restricted	**	**	3,436,214	3,685,303
Unrestricted	**	**	8,899,856	14,214,564
Total primary government net assets	**	**	<u>\$28,729,233</u>	<u>\$34,078,952</u>

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

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 4,669,978	\$ 8,934,374	\$ 2,448,345	\$11,503,013	\$12,286,623	\$13,351,075
330,686	443,735	8,892,713	559,256	378,453	1,415,179
8,664,451	6,680,746	5,892,606	4,528,925	4,265,666	1,863,858
<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>	<u>\$16,630,112</u>
\$12,008,907	\$12,217,957	\$12,458,902	\$13,570,146	\$15,382,496	\$17,448,142
3,473,963	3,879,231	3,560,828	4,263,939	4,356,923	4,442,498
10,534,843	11,606,473	12,308,051	10,986,019	10,646,671	9,036,191
<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>	<u>\$30,926,831</u>
\$16,678,885	\$21,152,331	\$14,907,247	\$25,073,159	\$27,669,119	\$30,799,217
3,804,649	4,322,966	12,453,541	4,823,195	4,735,376	5,857,677
19,199,294	18,287,219	18,200,657	15,514,944	14,912,337	10,900,049
<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>	<u>\$47,556,943</u>

CITY OF TAVARES, FLORIDA

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

(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 2,573,387
Public safety	**	**	3,151,377	3,418,213	3,740,687	5,062,429	5,210,828	5,967,840	5,384,407	5,578,560
Physical environment	**	**	1,727,790	1,419,048	1,622,968	1,450,968	2,423,147	2,099,378	2,082,370	1,910,497
Economic environment	**	**	**	**	**	**	474,877	421,225	374,745	418,481
Culture & recreation	**	**	1,286,432	1,408,810	1,957,263	2,284,356	1,649,694	2,447,157	2,147,376	2,240,794
Interest & other fiscal charges on long-term debt	**	**	343,173	297,182	282,156	260,827	536,771	565,029	527,574	486,329
Total governmental activities expenses	**	**	8,105,740	8,089,099	9,524,033	11,129,430	12,931,517	14,260,699	13,112,140	13,208,048
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	5,687,892
Sanitation	**	**	1,272,742	1,277,782	1,558,303	1,674,272	1,753,303	1,693,286	1,632,796	1,565,724
Stormwater	**	**	136,547	203,773	177,242	216,931	279,931	328,962	284,874	415,247
Seaplane Base	**	**	**	**	**	**	**	**	233,718	557,946
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	8,226,809
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	\$ 21,434,857
Program Revenues										
Governmental activities:										
Charges for services	**	**	\$ 422,354	\$ 99,011	\$ 59,457	\$ 75,698	\$ 65,955	\$ 58,531	\$ 27,751	\$ 41,094
General government	**	**	189,551	202,640	222,568	245,810	228,874	207,377	73,610	86,891
Public safety	**	**	33,063	1,915,290	1,789,975	851,806	553,083	284,376	291,976	322,005
Physical environment	**	**	**	**	**	**	7,300	17,764	16,972	15,616
Economic environment	**	**	117,602	118,977	114,576	136,235	172,487	112,981	113,901	149,546
Culture & recreation	**	**	573,127	474,772	826,303	498,532	546,080	590,825	594,877	637,199
Operating grants and contributions	**	**	84,038	236,372	7,584	187,448	625,773	443,670	706,155	165,656
Capital grants and contributions	**	**	1,419,735	3,047,062	3,020,463	1,995,529	2,199,552	1,715,524	1,825,242	1,418,007
Total governmental activities program revenues	**	**	\$ 2,422,957	\$ 5,733,057	\$ 5,351,726	\$ 6,150,096	\$ 5,226,522	\$ 4,822,136	\$ 4,825,242	\$ 5,148,007

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	6,993,973
Solid Waste	**	**	1,612,970	1,632,199	2,014,093	2,149,697	2,198,501	2,198,501	2,310,764	2,390,044
Stormwater	**	**	282,273	286,507	305,611	311,354	457,742	457,742	513,257	525,369
Operating grants and contributions	**	**	72,428	37,332	-	-	-	-	-	213,389
Capital grants and contributions	**	**	1,628,591	2,262,995	1,837,338	589,958	219,348	796,124	1,751,379	963
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	10,123,738
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	\$ 11,541,745
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)	\$ (11,790,041)
Business-type activities	**	**	2,923,813	3,159,289	3,281,872	2,053,429	1,627,947	2,187,827	3,092,302	2,470,185
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)	\$ (9,619,856)

General Revenues and Other Changes in Net Assets

Governmental activities:	
Taxes	
Property taxes	**
Franchise and utility taxes	**
Intergovernmental	**
Investment earnings	**
Transfers	**
Total governmental activities	**
Business-type activities:	
Investment earnings	**
Transfers	**
Total business-type activities	**
Total government	**

Change in Net Assets

Governmental activities	**
Business-type activities	**
Total government	**

Note: ** Data not available prior to GASSB 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
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	4,976,167	1,085,253	1,765,180	7,826,600
2011	4,454,615	1,032,831	1,782,883 ¹	7,270,330

¹ includes communication service tax

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund				
Reserved	\$ 794,258	\$ -	\$ 1,236	\$ 3,370
Unreserved	2,021,478	2,356,713	2,493,622	4,338,499
Total general fund	<u>\$ 2,815,736</u>	<u>\$ 2,356,713</u>	<u>\$ 2,494,858</u>	<u>\$ 4,341,869</u>
All other governmental funds				
Reserved	\$ 455,402	\$ 112,618	\$ 169,097	\$ 211,443
Unreserved, reported in:				
Special revenue funds	740,496	7,041,377	5,769,219	5,312,172
Capital projects funds	-	-	-	-
Permanent funds	-	-	1,099	1,708
Total all other governmental funds	<u>\$ 1,195,898</u>	<u>\$ 7,153,995</u>	<u>\$ 5,939,415</u>	<u>\$ 5,525,323</u>

General fund
 Nonspendable
 Committed
 Assigned
 Unassigned
 Total general fund

All other governmental funds
 Nonspendable
 Restricted
 Committed
 Assigned
 Unassigned
 Total all other governmental funds

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 2,344	\$ 5,038	\$ 6,851	\$ 4,765	\$ 4,291	n/a
5,457,407	4,174,174	3,163,338	1,979,038	2,256,860	n/a
<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>	<u>\$ -</u>
\$ 330,952	\$ 475,695	\$ 354,727	\$ 437,473	\$ 284,095	n/a
3,464,535	2,729,220	2,740,750	2,641,910	2,021,372	n.a
-	-	8,569,809	7,057,211	2,267,904	n.a
1,927	2,382	1,873	1,612	1,643	n.a
<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>	<u>\$ -</u>
					Post GASB 54
					2011
					\$ 265,386
					-
					244,875
					1,475,998
					<u>\$ 1,986,259</u>
					\$ 29,570
					3,174,339
					147,081
					-
					-
					<u>\$ 3,350,990</u>

CITY OF TAVARES, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<u>Revenues</u>				
Taxes	\$ 3,029,146	\$ 3,615,560	\$ 4,080,222	\$ 4,405,644
Licenses and permits	294,609	351,346	404,390	1,950,426
Intergovernmental	2,134,420	2,142,025	2,403,987	2,909,579
Charges for services	108,945	137,607	135,566	142,103
Fines and forfeitures	75,662	116,487	131,237	87,757
Impact fees/assessments	323,258	342,229	58,314	111,977
Investment earnings	69,624	78,229	118,898	264,883
Miscellaneous	209,787	157,474	95,731	209,384
Total Revenues	<u>6,245,451</u>	<u>6,940,957</u>	<u>7,428,345</u>	<u>10,081,753</u>
<u>Expenditures</u>				
General government	1,337,936	1,853,639	2,427,036	1,650,822
Public safety	2,592,886	3,390,547	3,109,638	3,619,397
Physical environment	1,430,212	1,382,992	1,679,720	2,091,293
Economic environment	-	-	-	-
Culture & recreation	1,500,048	1,325,058	1,283,160	1,566,123
Capital outlay ¹	-	-	-	-
Debt service				
Principal	308,890	766,616	683,246	706,927
Interest	106,541	162,161	343,173	297,183
Bond issuance costs	-	31,791	-	-
Total expenditures	<u>7,276,513</u>	<u>8,912,804</u>	<u>9,525,973</u>	<u>9,931,745</u>
Excess of revenues over (under) expenditures	(1,031,062)	(1,971,847)	(2,097,628)	150,008
<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	1,747,617	1,343,905	1,376,822	1,560,494
Transfers out	(598,513)	(441,845)	(253,631)	(277,583)
Total other financing sources (uses)	<u>2,430,953</u>	<u>7,470,921</u>	<u>1,232,007</u>	<u>1,282,911</u>
Net change in fund balances	<u>\$ 1,399,891</u>	<u>\$ 5,499,074</u>	<u>\$ (865,621)</u>	<u>\$ 1,432,919</u>
Debt service as a percentage of noncapital expenditures	<u>6.05%</u>	<u>12.08%</u>	<u>12.08%</u>	<u>13.04%</u>

Note:

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

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 5,099,570	\$ 6,318,078	\$ 7,376,717	\$ 8,020,036	\$ 7,898,924	\$ 7,414,935
1,825,939	891,925	594,510	326,424	333,696	366,984
3,223,219	4,138,746	3,751,360	2,976,596	3,239,627	3,033,726
138,070	155,752	178,355	142,389	102,559	154,119
99,372	161,784	71,279	61,931	61,092	94,049
123,195	100,088	183,554	150,285	26,864	-
557,181	518,555	331,009	48,503	62,727	26,596
219,421	119,911	189,512	119,347	117,744	104,257
<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>	<u>11,194,666</u>
1,888,047	2,316,117	2,505,907	2,622,842	2,486,462	2,452,401
3,795,701	5,485,795	5,558,519	5,565,968	5,106,502	5,555,549
4,530,057	4,343,445	3,025,680	2,431,626	2,616,081	1,983,795
-	-	595,986	424,454	373,808	413,677
1,989,992	2,198,206	2,771,300	3,877,686	6,534,385	2,382,151
-	-	-	-	-	-
757,993	789,436	811,151	845,963	1,090,935	1,130,581
282,156	260,827	486,944	565,029	529,359	488,180
-	-	-	-	-	-
<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>	<u>14,406,334</u>
(1,957,979)	(2,988,987)	(3,079,191)	(4,488,057)	(6,894,299)	(3,211,668)
-	-	8,900,000	-	-	-
307,396	-	200,000	-	-	-
-	-	-	-	-	-
1,320,699	1,389,418	10,862,352	2,344,891	2,032,372	2,275,150
(280,143)	(271,087)	(9,432,322)	(572,173)	(423,917)	(562,398)
<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>1,712,752</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>\$ (1,498,916)</u>
<u>12.03%</u>	<u>10.33%</u>	<u>10.25%</u>	<u>10.42%</u>	<u>12.92%</u>	<u>12.75%</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
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%
2011	624,303,974	409,730,577	65.63%	214,267,684	34.32%

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>
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%
305,713	294,384,352	624,303,974	6.8900	624,303,974	100.00%

CITY OF TAVARES, FLORIDA

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

Fiscal Year	Overlapping Rates											St. John's Water Management District	Total Direct & Overlapping Rates
	Direct* City of Tavares		Lake County			Lake County School District			Independent Hospital District		Lake County Water Authority		
	Operating Millage	Debt Service Millage	Operating Millage	MSTU	Total County Millage	Operating Millage	Capital Outlay	Total School Millage	Operating Millage	Capital Outlay			
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	
2011	6.8900	4.7309	0.1101	0.3853	5.2263	5.8940	1.5000	7.3940	1.0000	0.2405	0.3313	21.0821	

Source: Lake County Tax Collectors Office

* The direct denotes the City's operating millage, and the City has no debt service millage

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, 2011

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Kohls Department Store	\$ 5,349,540	1	0.88%			
BLC Tavares-GC LLC	3,087,942	2	0.51%			
Stag Iii Tavares LLC	2,814,842	3	0.47%			
Tavares Associates, Incorporated	2,720,006	4	0.45%			
Alliance Tax Advisors	2,390,692	5	0.40%			
Holiday, Ltd.	2,332,479	6	0.39%			
Lake Warehouse & Storage Tavares LLC	2,213,155	7	0.37%			
Florida Hospital Waterman	2,125,473	8	0.35%			
Nationwide Health Properties	2,025,391	9	0.33%			
Hari Holdings LLC	1,999,992	10	0.33%			
Florida Hospital Waterman				\$ 17,425,584	1	5.22%
Tavares Associates, Incorporated				3,134,752	2	0.94%
Nationwide Health Properties				2,259,116	3	0.68%
Zellwin Farms Company				2,162,085	4	0.65%
Pierce Hard LP/84 Lumber				1,822,997	5	0.55%
Florida Motels, Inc.				1,782,001	6	0.53%
Holiday, Ltd.				1,772,823	7	0.53%
Dead River LLC				1,610,351	8	0.48%
Ehler Development				1,531,597	9	0.46%
Pringle Properties, Inc.				1,517,197	10	0.45%
Totals	<u>\$ 27,059,512</u>		<u>4.47%</u>	<u>\$ 35,018,503</u>		<u>10.49%</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
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	5,460,960	5,382,888	98.57%	4,192	5,387,080	98.65%
2010	5,058,640	4,966,431	98.18%	82,060	5,048,491	99.80%
2011	4,667,143	4,592,019	98.39%	7,199	4,599,218	98.54%

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				
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	4,930,000	14,022,438	-	31,507,313	8.38%	2,363	
2011	-	11,381,000	42,480	4,930,000	13,695,958	-	30,049,438	7.99%	2,254	

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
2002	-	-	-	**	-
2003	-	-	-	**	-
2004	-	-	-	**	-
2005	-	-	-	**	-
2006	-	-	-	**	-
2007	-	-	-	**	-
2008	-	-	-	**	-
2009	-	-	-	**	-
2010					
2011					

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 120-121 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, 2011

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, 2011

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	
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	472,554	1,057,098	2.69
2011	7,032,139	3,472,306	3,559,833	830,045	404,446	1,234,491	2.88

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

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
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	13,951	375,910	26,945	54.5	12.92	3,163	11.8%
2011	14,015	369,716	26,380	52.5	12.92		10.6%

Sources:

1. Per Capita Income: Metro Orlando Economic Development Commission 2011 Estimate; as of February 2012, the most recent data available
 2. Median age - US Census, 2010 Bureau
 3. School enrollment Lake County Schools, 2011 CAFR Statistical Section
 4. Population: Florida Economic Development and Research
 5. Economic and Business Research, University of Florida
- Note: ** Data not available

CITY OF TAVARES, FLORIDA

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

Employer	2011			2002 ²		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake County Public Schools	4,353	1	12.44%	3,513	1	**
Florida Hospital Waterman ³	1,400	2	4.00%	1,500	2	**
Lake County Sheriffs Office ⁴	774	3	2.21%	**	**	**
Lake County Board of County Commissioners	739	4	2.11%	**	**	**
G&T Conveyor	550	5	1.57%	**	**	**
Comerstone Hospice	468	6	1.34%	**	**	**
Lake County Clerk of Court ⁶	225	7	0.64%	125	**	**
City of Tavares	164	8	0.47%	125	**	**
Winn-Dixie	110	9	0.31%	**	**	**
Lake County Tax Collector ⁵	68	10	0.19%	**	**	**
Total	8,851		25.29%			

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. Lake County, Florida, CAFR FY 2010
4. Lake County Sheriff Officer's CAFR FY 2010
5. Lake County Tax Collector Budget, FY 2011-2012
6. Lake County Florida Budget, FY 2010-2011

CITY OF TAVARES, FLORIDA

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	29	29	29	28	27	29	31	30	29	28
Public safety										
Police										
Sworn officers	21	23	23	24	24	27	31	31	29	29
Non-sworn officers	-	-	-	-	-	-	-	-	1	1
Civilians ^{1 & 2}	1	1	1	2	2	11	11	11	9	9
Fire										
Firefighters & officers	12	18	18	18	18	24	21	21	21	21
Civilians	1	-	-	-	1	1	1	1	1	1
Physical environment	7	7	7	7	7	7	14	11	8	7
Economic development	**	**	**	**	**	**	2	2	2	2
Marina/Prop Shop	**	**	**	**	**	**	**	**	**	6
Water/Wastewater/SW	24	23	24	25	32	33	31	31	29	30
Solid Waste ³	5	5	5	7	8	8	8	8	7	7
Culture & recreation	25	25	25	26	28	29	28	27	25	25
Total	125	131	132	137	147	169	177	172	161	164

Notes:

Data extracted from annual FTE Reconciliations in Adopted Budget for 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Auto accidents	**	**	**	**	489	398	584	626	557	541
Physical arrests	**	**	**	**	351	342	314	333	270	398
Criminal investigations conducted	**	**	**	**	820	354	293	374	259	180
Total calls for service	**	**	**	**	24,875	31,557	36,108	33,412	30,697	27,222
911 calls received	**	**	**	**	**	3,689	4,108	4,063	**	3,912
Evidence processed (pieces)	**	**	**	**	**	**	**	**	**	**
Public education programs	**	**	**	**	**	**	100	**	**	**
Medical responses	**	**	**	**	**	**	2,057	2,046	2,214	2,131
Community Development										
Total permits issued	**	**	**	**	1,335	953	858	1,148	1,052	419
Construction inspections	**	**	**	**	7,549	2,003	2,495	1,650	2,611	1,642
Physical Environment										
Streets paved (miles)	**	**	**	**	117	117	118	118	118	118
Streets resurfaced (miles)	**	**	**	**	2	2	-	-	2	-
Sidewalks/bike paths built or repaired (feet)	**	**	**	**	**	**	1,994	10,816	1,065	1,065
Culture and Recreation										
Sports complex ball games & field rentals	**	**	**	**	**	680	655	765	1,189	496
Library cards issued	1,988	1,815	1,591	1,678	1,844	1,762	1,615	1,616	1,189	1,129
Water/Wastewater										
New connections	**	**	**	1,032	748	375	192	152	112	596
Number of customers	5,214	5,605	6,105	6,624	7,426	6,419	6,405	6,120	7,011	7,067
Water main breaks	**	**	**	**	10	0	9	3	8	10
Average daily consumption (millions of gallons)	**	**	**	**	3	3	3	3	3	3
Meter reads	**	**	6,724	7,269	8,141	8,380	8,753	8,876	8,909	8,982
General Government										
Employment applications received	**	**	**	**	521	829	729	698	829	626
Personnel actions processed	**	**	**	**	275	307	345	242	307	40
Legal notices published	96	108	106	138	184	87	44	27	68	39
Occupational licenses issued	763	761	733	752	772	861	938	956	976	995
Accidents and injuries reviewed	**	**	**	**	18	15	12	14	15	14
Land use amendments and rezonings	**	**	16	18	23	15	25	13	22	6
License/Permit reviews	**	**	**	**	**	1,650	876	579	1,218	722
Employees paid	**	**	**	**	224	203	198	185	203	207
Checks deposited	**	64,426	65,946	67,924	65,301	63,410	58,533	57,098	35,411	40,352
A/P Checks issued ^z	15,596	14,761	4,445	5,427	5,457	6,602	5,812	5,653	5,397	5,235
Purchase orders/processed	7,529	6,881	3,779	3,453	3,549	4,272	4,827	4,390	4,388	4,254

Note:

** Data not available

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



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OTHER REPORTS



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

Honorable Mayor and City Council
City of Tavares, Florida

We have audited the financial statements of 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

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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, in a separate letter dated May 18, 2012.

This report is intended solely for the information and used of management, City Council, others within the City, federal awarding agencies and pass-through entities, 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.

McDermitt Davis & Company, LLC

Orlando, Florida
May 18, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

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 *Executive Office of the Governor's State Projects Compliance Supplement* (the Supplement) that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2011. The City's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state projects 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 Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General* 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 state project 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 state projects for the year ended September 30, 2011.

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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 state projects. 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 state project 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 Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project 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 state project 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 used of management, City Council, others within the City, federal awarding agencies and pass-through entities, 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.

McDiarmid Davis & Company, LLC

Orlando, Florida
May 18, 2012

CITY OF TAVARES, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2011

State Grantor Pass-through grantor Program title	CSFA Number	Contract/ Grant Number	Expenditures
<u>Direct projects:</u>			
State of Florida, Department of Environmental Protection Wastewater Treatment Facility Construction *	37.077	350910	\$ 927,562
<u>Indirect projects:</u>			
State of Florida, Department of Environmental Protection passed through St. Johns River Water Management District Water Protection and Sustainability Program Trust Fund (WPSPTF)	37.066	WPSP Agreement #26571	96,277
			<u>\$ 1,023,839</u>

* Denotes a major program

CITY OF TAVARES, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2011

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of the City of Tavares, Florida (the City) under programs of the state government for the year ended September 30, 2011. The information in the Schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes. 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.

CITY OF TAVARES, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE FINANCIAL ASSISTANCE PROJECTS

Year Ended September 30, 2011

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 state financial assistance projects 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 Chapter 10.650, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major state financial assistance projects for the City expresses an unqualified opinion on all major state financial assistance projects.
6. The projects tested as major projects included: State of Florida, Department of Environmental Protection Wastewater Treatment Facility Construction (CSFA 37.077).
7. The threshold used for distinguishing between Type A and B programs was \$300,000.
8. The City did qualify as a low-risk auditee.

Part B - Findings – Financial Statement Audit:

None

Part C - Findings and Questioned Costs – Major State Financial Assistance Projects 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 (the City). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, 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 are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the City changed accounting policies related to clarity and consistency to Fund Balance classifications and categories by adopting Statement of Governmental Accounting Standards (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The application of existing policies was not changed during 2011. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimate(s) 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 as a whole.

MCDIRMIT DAVIS & COMPANY, LLC
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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

Implementation of GASB Statement No. 54 as disclosed in Note 14 to the financial statements.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 18, 2012.

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.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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,

McDiarmid Davis & Company, LLC

Orlando, Florida
May 18, 2012



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.

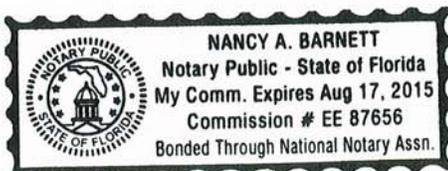
A handwritten signature in black ink that reads "Lori Houghton". The signature is written in a cursive style and is positioned above a horizontal line.

Lori Houghton
Finance Director

State of Florida

County of Lake

The foregoing instrument was acknowledged before me this 1st day of May 2012, 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 black 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 (the City), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated May 18, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 18, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as 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 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 recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that we have occurred, or are likely to have occurred, 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.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7., 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 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 for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McDiarmid Davis & Company, LLC

Orlando, Florida
May 18, 2012

CITY OF TAVARES, FLORIDA

APPENDIX A - PRIOR YEAR RECOMMENDATIONS

For the Year Ended September 30, 2011

<u>No.</u>	<u>Prior year's recommendation</u>	<u>Observation is still relevant</u>	<u>Observation addressed or no longer relevant</u>
ML-09-02	Excess of expenditures over appropriations		X
ML-10-01	Excess of expenditures over appropriations		X
ML-10-02	Appropriations in excess of funds available		X



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CITY OF TAVARES
Comprehensive Annual Financial Report
FY 2010 - 2011

