

**CITY OF TAVARES, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL  
REPORT  
FISCAL YEAR 2012-2013**



**LAND AND SEE OUR SEAPLANE CITY!**



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**City of Tavares, Florida**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For The Year Ended September 30, 2013**

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, 2013

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America's Seaplane City<sup>SM</sup>

June 24, 2014

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, 2013.

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, 2013. 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 complements this letter of transmittal and the MD&A should be read in conjunction with this letter.

### **Profile of the Government**

The City, incorporated in 1880, is located in south Lake County. The City currently has a land area of 13.025 square miles and serves a population of approximately 14,054. The City is located in the center of Lake County which contains more than 1,000 lakes within its 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 a courthouse, a criminal justice complex and jail, but also it is in close proximity to many diverse activities. It is the only City in the United States known as "America's Seaplane City", born April 2010. At the northern most tip of the county, sits the Ocala National Forest. 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, the City is within a one and one half 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 at ceremonial events. The Council appoints the City Administrator who in turn appoints the Department Heads of the various departments. The five (5) Council members are each assigned a "seat" (one through five) and are elected at large by seat 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, economic development, community services, parks, recreation, library, and special events. The City also operates and maintains water, wastewater, reclaim water, stormwater and sanitation utilities services. The City also operates a full service Marina and Seaplane Base Airport (FA1) at the downtown City waterfront.

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 City 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, hospital, medical, 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, as well as Lake County's five (5) constitutional officers: Sheriff, Clerk of Courts, Property Appraiser, Tax Collector, and the Supervisor of Elections. Various county, state and federal support facilities are also located within the City. 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. As America's Seaplane City, the City has been successful in acquiring industries related to the aircraft industry, such as Progressive Aerodyne, a designer and supplier of SeaRey seaplanes, and the Jones Brothers, a seaplane flight training and scenic tour operator.

The City's total assessed valuation for real and personal property decreased by approximately 5.63% from the prior year. The decrease in valuation was primarily due to continued changes in the real estate markets as a result of the economic environment and continued mortgage foreclosure activity. The millage rate was decreased from 6.89 mills in the prior fiscal year to 5.985 mills in fiscal year 2013. This decrease was offset by the City implementing a fire assessment fee for fire suppression services which the City bills through the utility billing system.

The unemployment rate for Lake County at September 30, 2013 was reported at 7.3%. This compares to the state unemployment rate of 7.1% and the national rate of 7.0%. Although increases in occupational licenses issued were not significantly higher than the prior year, new business applications levels again remained constant for the year ended September 30, 2013 indicating a constant level of growth in the creation of new businesses.

The total number of new construction permits increased substantially in 2013 as the City issued 125 permits for new homes compared to 58 in the prior year. In addition the City issued 6 permits for new commercial construction compared to 14 permits in the prior year. Impact fee waivers will continue for part of the next fiscal year; the City will discontinue impact fee waivers on June 30, 2014.

Local economic indicators such as those described indicate a continued and steady growth for economic recovery for the City. The City continues to work with builders, developers, manufacturers, and residents for both commercial and residential development.

### **Long-term financial planning**

Unassigned fund balance in the general fund of 5% percent of total general fund expenditures (excluding debt service) is within the policy guidelines set by the City Council for budgetary and planning purposes (i.e., between 5 and 20 percent of total general fund revenues/expenditures). The City Council does not envision changing the current fund balance reserve range of between 5 and 20%.

The Council will review the City's five year capital plan (CIP) during the budget planning process to determine the best financing options for capital projects. In addition the City will seek various grants and low interest government loans to fund major capital projects that are identified within the CIP that will enhance infrastructure needs, and economic development within the City.

### **Major initiatives**

The City is currently constructing an over the Lake, 8000 square feet Pavilion facility that will serve as a conference center, convention center, special event center, training facility, and wedding facility. The facility will be a two-story structure with windows on all sides providing a spectacular picturesque view of Lake Dora, and the City's virtual seaplane runway. The project will enhance the Tavares Seaplane Base (FA1) and will provide additional economic incentive to the downtown waterfront. The project will be funded through a bank loan and an internal loan. Pavilion rental income will support operational costs associated with the project.

In March 2012, the City held a special referendum for issuance of General Obligation Debt to expand the Wooton Park Seaplane Base and Marina in the downtown Lake Dora waterfront. The referendum approved by the citizens of Tavares provided for the acquisition of 3.6 acres of adjacent waterfront property. The City is currently in the process of making necessary improvements including an additional boat ramp to address growing air traffic at the Seaplane Base. Other improvements for the expansion site include a parking lot, beach areas, restrooms, and other passive park facilities. Improvements are currently under design. The referendum provides for a separate debt service millage for repayment of the debt.

The final improvement to the Wooton Park Seaplane Base and Marina included a Train Station Depot to enhance and compliment the current rail platform. The Train Depot was completed in September 2013 and is now home to the Tavares, Eustis, and Gulf, LLC Railroad which offers vintage steam train excursions to visitors of the park, and the Tavares Chamber of Commerce which is a key player to business development within the City. Rental income from these tenants will offset the cost of construction for the facility.

The various transportation components of the Tavares Seaplane Base support the

City's vision for a multi-modal transportation system. The Seaplane Base and Railroad initiatives have been a major stimulator for securing new businesses in the downtown CRA such as three new hotels and supporting restaurants. 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, county government complex, commerce park , and promoting downtown special events. As part of the City's multi-modal transportation vision, the department secured a direct federal grant for railroad continuous weld track upgrades to support the City's freight and rail initiative. The welded track upgrade began in beginning of fiscal year 2014. 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 for this project.

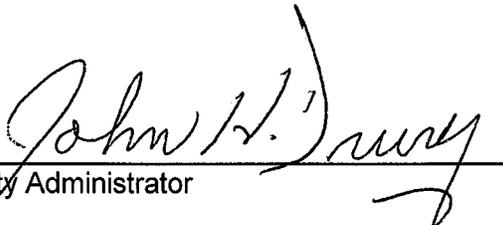
Ongoing initiatives to stimulate downtown revitalization include a campaign to showcase Tavares as the premiere waterfront Central Florida Capital City for special events. The natural historical waterfront and designated entertainment district provides an ideal setting for various water oriented community events. Some events that the City has been successful in securing for the downtown include, Central Florida Dragon Boat Festival, Sunnyland Antique Classic Boat Festival, Planes-Trains-Barbeque event, and the Classic Boat Regatta. These events bring thousands of new visitors to Tavares each year.

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. During fiscal year 2013, the City was able to supplant USDA funding with State Revolving Loan Funds (SRF) which will provide cost savings for these projects. Construction for these projects began in June 2013.

The City's gateway roadways, Alfred Street and Caroline Street, have begun to receive a complete make-over which includes one-way pair realignment, and sidewalks. The project is funded by Lake County, and is expected to be completed in fiscal year 2015.

The preparation of this report would not have been possible without the efficient and dedicated services of the staff in the Finance Department. We would like to express our appreciation to all members of the staff who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unflinching support for maintaining the highest standards of professionalism in the management of the City of Tavares's finances.

Respectfully submitted,

  
\_\_\_\_\_  
City Administrator

  
\_\_\_\_\_  
Finance Director

CITY OF TAVARES, FLORIDA

**LIST OF PRINCIPAL OFFICIALS**

Year Ended September 30, 2013

**MAYOR**

Robert Wolfe

**CITY COUNCIL**

Kirby Smith, Vice Mayor

Lori Pfister

Bob Grenier

Norman Hope

**CITY ADMINISTRATOR**

John Drury

**CITY CLERK**

Nancy Barnett

**CITY ATTORNEY**

Robert Q. Williams

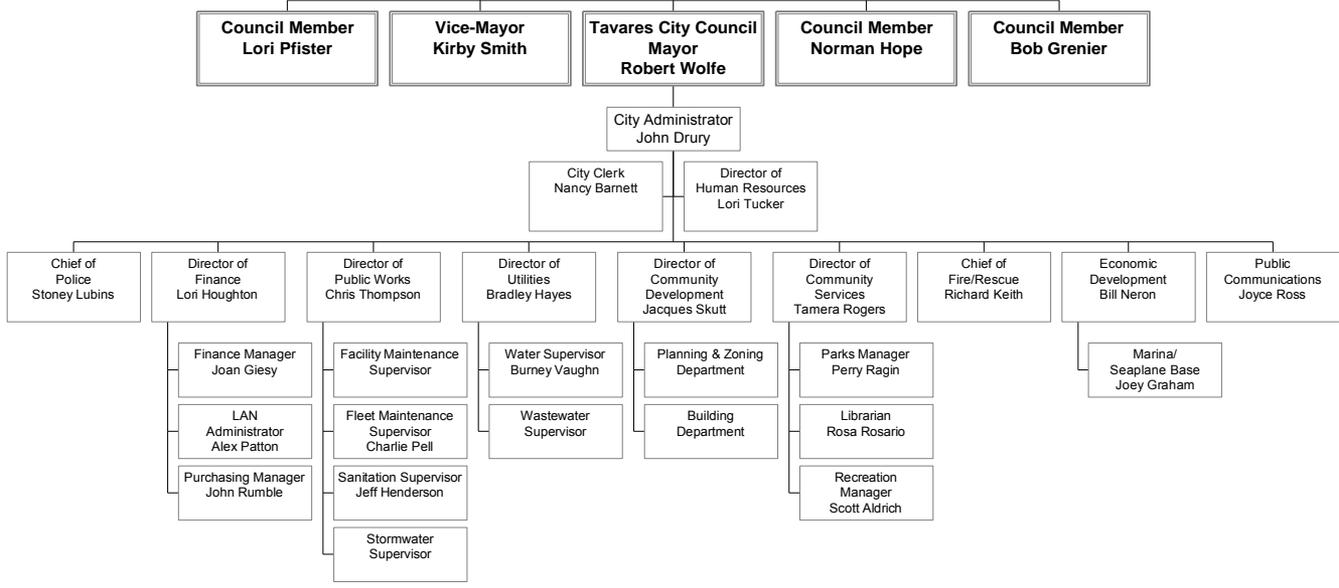
**FINANCE DIRECTOR**

Lori Houghton

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# 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*

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tavares, Florida (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, 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, 2013, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, fire assessment fund, and greater downtown TIF district fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**MCDIRMIT DAVIS & COMPANY, LLC**

934 N. MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803  
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits disclosures on pages 3 through 14 and 68 and 69, 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 of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the Schedule 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014, 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.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 24, 2014

## 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, 2013. 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 and deferred outflows of the City of Tavares exceeded its liabilities at the close of the most recent fiscal year by \$47,921,699 (net position). Of this amount, \$9,756,121 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,547,661.
- As of the close of the current fiscal year, the City of Tavares governmental funds reported combined ending fund balances of \$4,787,981, an increase of \$178,502 in comparison with the prior year. Approximately 74% of the total governmental fund balances is restricted
- The General Fund experienced a decrease of \$149,383 in fund balance for the fiscal year and ended the year with a fund balance of \$1,225,051. Only \$574,523, or 47%, is unassigned and available for spending at the City's discretion.
- The Capital Project Fund experienced an increase of \$422,651 in fund balance for the fiscal year; which was attributed to transfers from the General Fund.

### 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, solid waste, 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 15 - 16 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 fifteen (15) 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 fire assessment 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 eleven 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 fire assessment special revenue fund, and the greater downtown TIF special revenue fund to demonstrate compliance with this budget at page 20 - 22. Budgetary comparison schedules have been provided for the Capital Projects Fund, and the nonmajor funds at pages 68 and pages 69-72.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The basic governmental fund financial statements can be found on pages 17 - 19 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 and sewer, solid waste, 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 and sewer and solid waste 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 23 - 26 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 27 - 28 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 29 - 66 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 page 67.

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 69 - 79.

### 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 and deferred outflows exceeded liabilities by \$47,921,699 at the close of the most recent fiscal year. The following table reflects a comparison of the condensed statement of net position for the current year to the prior year. For more detail see the Statement of Net Position on page 15.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**City of Tavares  
Statement of Net Position**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>						
Current and other assets	\$ 7,961,351	\$ 6,881,438	\$ 16,086,573	\$ 16,399,393	\$ 24,047,924	\$ 23,280,831
Capital assets	27,309,343	25,383,363	41,513,759	37,570,354	68,823,102	62,953,717
Total assets	<u>35,270,694</u>	<u>32,264,801</u>	<u>57,600,332</u>	<u>53,969,747</u>	<u>92,871,026</u>	<u>86,234,548</u>
<b>Deferred outflows of resources:</b>						
Deferred charge on refunding	-	-	43,960	-	43,960	-
<b>Liabilities:</b>						
Long-term liabilities outstanding	16,042,313	14,196,288	23,471,196	20,989,496	39,513,509	35,185,784
Other liabilities	2,764,959	1,831,724	2,731,819	2,180,835	5,496,778	4,012,559
Total liabilities	<u>18,807,272</u>	<u>16,028,012</u>	<u>26,203,015</u>	<u>23,170,331</u>	<u>45,010,287</u>	<u>39,198,343</u>
<b>Net Position:</b>						
Net investment in capital assets	14,032,686	14,093,258	18,123,311	16,899,453	32,155,997	30,992,711
Restricted	800,365	895,131	5,209,216	4,763,265	6,009,581	5,658,396
Unrestricted	1,630,371	1,248,400	8,125,750	9,136,698	9,756,121	10,385,098
Total net position	<u>\$ 16,463,422</u>	<u>\$ 16,236,789</u>	<u>\$ 31,441,277</u>	<u>\$ 30,799,416</u>	<u>\$ 47,921,699</u>	<u>\$ 47,036,205</u>

Sixty-seven percent (67%) of the City's net position 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 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. The remaining unrestricted net position of \$9,756,121 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 position.

The City's net position increased \$1,547,661 during the current fiscal year for current activities and decreased \$662,167 for restatement of beginning net position due to implementation of new GASBs and also due to overbilling in the water and sewer utility fund described in Note 2 of Financial Statements. . 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 16.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**City of Tavares  
Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>						
Program revenues -						
Charges for services	\$ 2,419,180	\$ 836,309	\$ 11,289,276	\$ 10,813,824	\$ 13,708,456	\$ 11,650,133
Operating grants and contributions	514,832	550,470	432,765	317,439	947,597	867,909
Capital grants and contributions	784,073	84,396	62,437	3,384	846,510	87,780
General revenues -						
Property taxes	3,747,879	4,230,824	-	-	3,747,879	4,230,824
Franchise and utility taxes	2,858,876	2,762,429	-	-	2,858,876	2,762,429
Intergovernmental	2,253,771	2,595,655	-	-	2,253,771	2,595,655
Investment income and miscellaneous	167,118	116,209	9,589	43,878	176,707	160,087
Total revenues	<u>12,745,729</u>	<u>11,176,292</u>	<u>11,794,067</u>	<u>11,178,525</u>	<u>24,539,796</u>	<u>22,354,817</u>
<b>Expenses:</b>						
General government	2,652,168	2,684,092	-	-	2,652,168	2,684,092
Public safety	5,644,118	5,607,008	-	-	5,644,118	5,607,008
Physical environment	1,932,092	1,973,762	-	-	1,932,092	1,973,762
Economic environment	1,187,237	298,767	-	-	1,187,237	298,767
Culture and recreation	2,252,677	2,174,924	-	-	2,252,677	2,174,924
Interest on long-term debt	462,912	506,674	-	-	462,912	506,674
Water and sewer	-	-	6,296,831	7,113,633	6,296,831	7,113,633
Solid waste	-	-	1,574,137	1,597,423	1,574,137	1,597,423
Stormwater	-	-	371,287	307,064	371,287	307,064
Seaplane base	-	-	618,676	612,208	618,676	612,208
Total expenses	<u>14,131,204</u>	<u>13,245,227</u>	<u>8,860,931</u>	<u>9,630,328</u>	<u>22,992,135</u>	<u>22,875,555</u>
<b>Increase (Decrease) in Net Position Before Transfers</b>	(1,385,475)	(2,068,935)	2,933,136	1,548,197	1,547,661	(520,738)
<b>Transfers</b>	<u>1,612,108</u>	<u>1,675,612</u>	<u>(1,612,108)</u>	<u>(1,675,612)</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	226,633	(393,323)	1,321,028	(127,415)	1,547,661	(520,738)
<b>Net Position - Beginning</b>	16,236,789	16,630,112	30,799,416	30,926,831	47,036,205	47,556,943
<b>Restatement (Note 2)</b>	-	-	(662,167)	-	(662,167)	-
<b>Net Position - Beginning, As Restated</b>	<u>16,236,789</u>	<u>16,630,112</u>	<u>30,137,249</u>	<u>30,926,831</u>	<u>46,374,038</u>	<u>47,556,943</u>
<b>Net Position - Ending</b>	<u>\$ 16,463,422</u>	<u>\$ 16,236,789</u>	<u>\$ 31,458,277</u>	<u>\$ 30,799,416</u>	<u>\$ 47,921,699</u>	<u>\$ 47,036,205</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

**Governmental activities** - Governmental activities increased the City of Tavares's net position by \$226,633. Key elements of this increase are as follows:

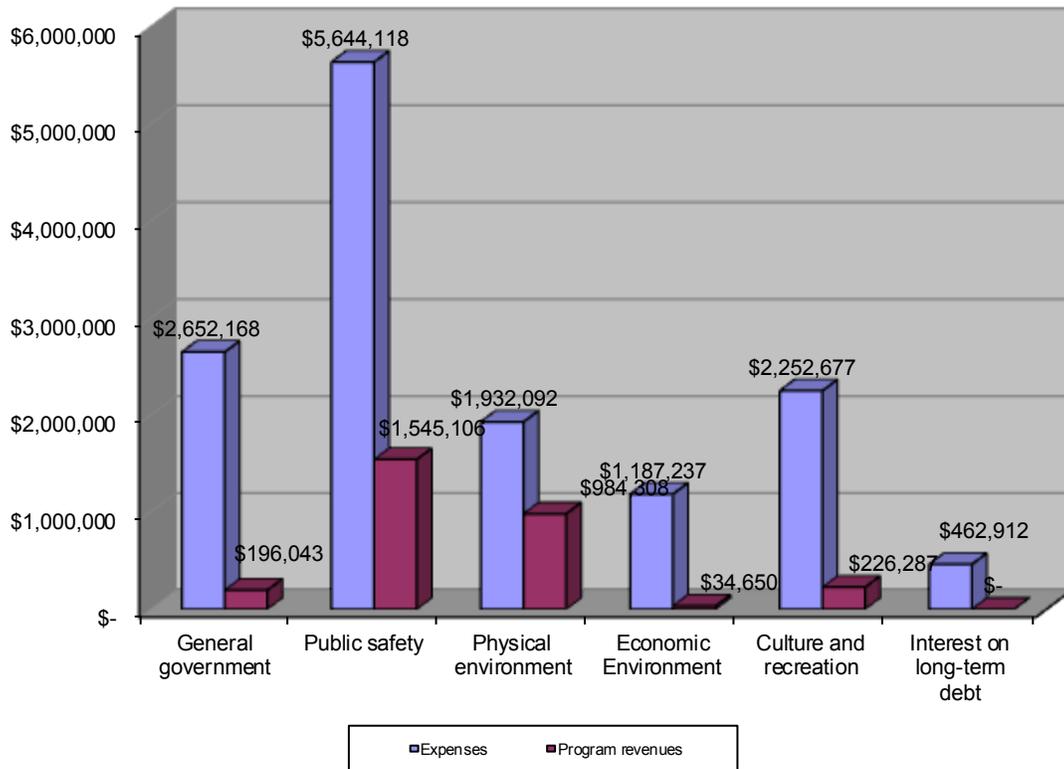
- Property taxes decreased by \$482,945 (11%) during the year, however the fire assessment fees which the City started collecting in 2013 to replace part of property tax amounted to \$1,516,426,
- Capital grants increased by \$699,677 primarily because of grant from the Federal Railroad Administration (FRA) for upgrades and rehabilitation of railroad serving Lake and Orange Counties.
- Expenses increased across the various functional activities by \$885,977 (<1%) for expenses related to upgrades to railroad mentioned above.

**Business-type activities** - Overall, net position increased by \$1,321,028 (3%) from business-type activities during the current year. Unrestricted net position of the business-type activities at the end of the year amounted to \$8,125,750. The City continued two major plant expansion projects for the water and wastewater utilities - the water/wastewater reuse project phase 1 and the water/wastewater reuse project phase 2 & 3 during the fiscal year. Key highlights for business activities during the current year were as follows:

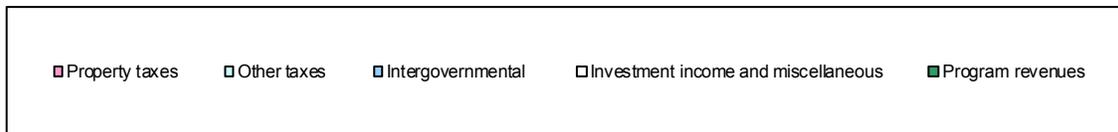
- Total revenues for all business-type activities increased by \$615,542 (5%), primarily in charges for services in all business-type funds.
- Revenues from impact fee collections declined to \$963 due to the reduced construction activity, and an impact fee waiver program for land parcels located within the city.
- Operating expenses of the water and sewer fund decreased over the prior fiscal year by \$769,397 (8%). This decrease is attributed to the fact that the acceleration of city wide meter change out program that occurred in 2012 did not occur in the current year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Expenses and Program Revenues - Governmental Activities**

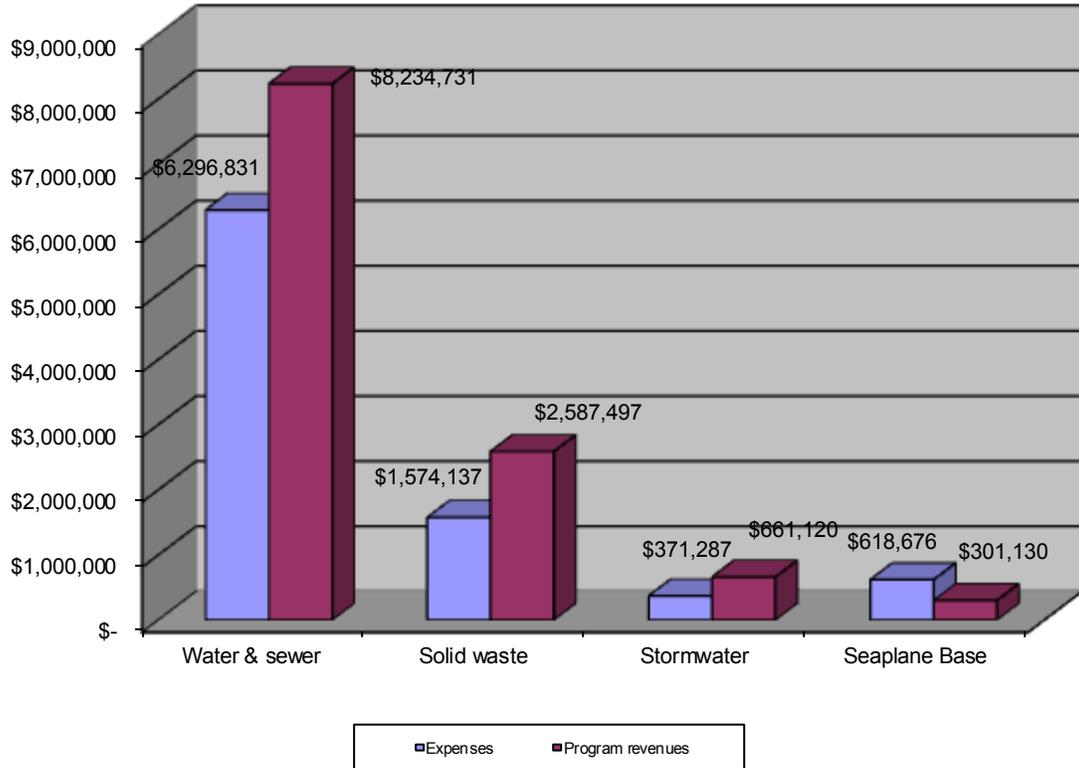


**Revenues by Source - Governmental Activities**

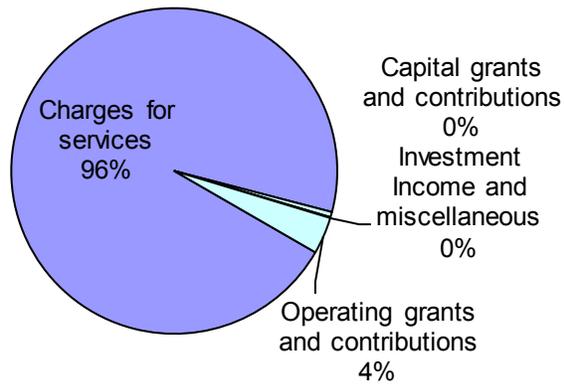


**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business - Type Activities**



## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### Financial Analysis of the Government's Funds

As noted earlier, the City of Tavares used fund accounting to ensure and demonstrate compliance with finance-related requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Tavares's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Tavares's governmental funds reported combined ending fund balances of \$4,787,981, an increase of \$178,502 in comparison with the prior year. Approximately 12% of this total amount, \$574,523 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or assigned to indicate that it is not available for new spending because it has already been assigned or restricted: 1) debt service (\$100,035), 2) to fund Community Redevelopment initiatives (\$103,676), 3) to fund public safety expansion projects (\$133,349), 4) to fund various capital projects (\$3,196,545), and 5) assigned to subsequent year expenditures. In addition, fund balance includes nonspendable amounts (\$537,904), and non-expendable trusts (\$29,295).

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 \$574,523 while total fund balance was \$1,225,051. 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 5% of total general fund expenditures, while total fund balance represents 10% of that same amount.

The fund balance of the general fund decreased by \$149,383 during the current fiscal year. Key factors attributing to the decrease are as follows:

- Expenditures of the current year exceeded revenues.
- Property tax revenues decreased \$720,883 (18%) and the City started collecting a fire assessment fee which is reported in a separate fund.

The new fire assessment special revenue fund has a total fund balance of \$89,024 which are restricted to public safety expenditures. The fund balance of the Greater Downtown TIF District was \$103,676, which is an increase of \$62,162.

The fund balance in the general government capital projects fund increased by \$422,651. This increase is due to expenditures for the Wooton Park Expansion Project being much less than budget in 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 position of the proprietary funds at the year-end amounted to \$8,125,750. Total net position for proprietary funds increased by \$1,321,028 (4%). 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 \$247,958 while original estimated revenues increased by \$240,305. Revenue estimates increased in intergovernmental revenue, licenses and permits, and miscellaneous, thus estimated appropriations from fund balance decreased by \$2,283 from original estimates. Increase in budgeted expenditures was primarily in the public safety function. During the year, actual revenues were less than budgetary estimates by \$212,672, and expenditures were less than budgetary estimates by \$111,216. The reasons for the increase in appropriations can be briefly summarized as follows:

- \$196,734 in increases was anticipated for public safety activities due to additional overtime requirements and pension contributions.
- A \$2,687,356 increase in transfers out is attributed to the transfer of loan project proceeds for the conference center and pavilion Note to the Capital Project Fund.

### 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, 2013 amounts to \$68,840,102 (net of accumulated depreciation/amortized costs). This investment in capital assets includes land, intangible assets, buildings, improvements/infrastructure, and machinery and equipment. An increase 9% 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, 2012. Major capital asset events during the current fiscal year included the following:

- Capital improvements to business-type activities included: construction of wastewater reuse treatment and storage facilities as well as construction of new reuse capital distribution lines (Phase 1). The city has neared completion of both Phases 1, 2, and 3 of the project.

Capital improvements to governmental activities includes construction of the conference center and pavilion at Wooton Park

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

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

	<b>Governmental</b>		<b>Business Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 5,213,405	\$ 5,113,405	\$ 388,346	\$ 388,346	\$ 5,601,751	\$ 5,501,751
Intangible assets	56,237	89,623	15,584	-	71,821	89,623
Buildings & improvements	3,710,802	3,287,123	27,805,821	27,875,295	31,516,623	31,162,418
Improvements/infrastructure	13,735,435	14,132,980	-	-	13,735,435	14,132,980
Machinery and equipment	604,358	884,709	1,415,504	1,691,365	2,019,862	2,576,074
Construction in progress	3,989,106	1,875,523	11,905,504	7,615,348	15,894,610	9,490,871
<b>Total</b>	<b>\$ 27,309,343</b>	<b>\$ 25,383,363</b>	<b>\$ 41,530,759</b>	<b>\$ 37,570,354</b>	<b>\$ 68,840,102</b>	<b>\$ 62,953,717</b>

Additional information on the City of Tavares's capital assets can be found in Note 7 on pages 45-46 of this report.

**Long-Term Debt** - At the end of the current fiscal year, the City of Tavares had total debt outstanding of \$38,738,613. This debt includes bonds payable, notes payable and capital leases payable. Additional information on long-term debt can be found in Note 8 on pages 47-52 of this report.

**City of Tavares  
Long-Term Debt**

	<b>Governmental</b>		<b>Business Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Bonds payable	\$ -	\$ -	\$ 6,880,000	\$ 4,930,000	\$ 6,880,000	\$ 4,930,000
Notes payable	15,193,000	13,510,000	16,199,892	15,653,745	31,392,892	29,163,745
Capital lease obligations	94,205	120,019	371,516	434,835	465,721	554,854
	<u>\$ 15,287,205</u>	<u>\$ 13,630,019</u>	<u>\$ 23,451,408</u>	<u>\$ 21,018,580</u>	<u>\$ 38,738,613</u>	<u>\$ 34,648,599</u>

The City of Tavares's total debt increased by \$4,090,014 (12%) during the current fiscal year, primarily because of the following:

- Issuance of capital improvement note for \$2,750,000 for pavilion.
- Issuance of Water and Sewer Revenue Bonds, Series 2012, for \$7,090,000 to currently refund the Series 2000 Water and Sewer Revenue Bonds.
- Draws of \$1,046,219 on State Revolving Fund Loans.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### Economic Factors and Next Year's Budget and Rates

- The unemployment rate for Lake County at September 30, 2013 was reported at 7.3%, a decrease of 1.1% over the prior year. This compares to the state unemployment rate of 7.1% and the national rate of 7.0%.
- The total number of new construction permits increased substantially in fiscal year 2013 as the City of Tavares issued 125 permits for new homes compared to 58 in the prior year. In addition the City issued 6 permits for new commercial construction, a decrease from 14 in the prior year. New commercial construction is anticipated to increase in fiscal year 2014 when impact fee waivers are still available.
- The City has implemented a gradual elimination of the Impact Fee Waiver program that was implemented in fiscal year 2008 to fuel new construction locally to improve the local economy. The impact fee waivers are scheduled to terminate on June 30, 2014.

### 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.

## **BASIC FINANCIAL STATEMENTS**

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CITY OF TAVARES, FLORIDA

**STATEMENT OF NET POSITION**

September 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 5,272,073	\$ 8,128,404	\$ 13,400,477
Receivables, net	506,749	664,626	1,171,375
Inventories	5,878	25,480	31,358
Internal balances	(1,958,397)	1,958,397	-
Due from other governments	962,156	246,169	1,208,325
Restricted assets:			
Cash and cash equivalents	2,706,196	5,045,094	7,751,290
Special assessments receivable	-	18,403	18,403
Pension assets	466,696	-	466,696
Capital assets not being depreciated	9,202,511	12,293,850	21,496,361
Capital assets being depreciated, net of accumulated depreciation	18,106,832	29,236,909	47,343,741
Total assets	<u>35,270,694</u>	<u>57,617,332</u>	<u>92,888,026</u>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	-	43,960	43,960
<b>Liabilities:</b>			
Accounts payable and other current liabilities	1,912,354	2,136,617	4,048,971
Matured bonds and interest payable	695,780	-	695,780
Accrued interest payable	58,285	116,228	174,513
Unearned revenues	98,540	-	98,540
Liabilities payable from restricted assets	-	478,974	478,974
Noncurrent liabilities:			
Due within one year	1,383,301	796,907	2,180,208
Due in more than one year	14,659,012	22,674,289	37,333,301
Total liabilities	<u>18,807,272</u>	<u>26,203,015</u>	<u>45,010,287</u>
<b>Net Position:</b>			
Net investment in capital assets	14,032,686	18,123,311	32,155,997
Restricted for:			
Capital projects	393,324	5,209,216	5,602,540
Community redevelopment	103,676	-	103,676
Culture and recreation	40,686	-	40,686
Public safety	133,349	-	133,349
Debt Service	100,035	-	100,035
Perpetual care-nonexpendable	29,295	-	29,295
Unrestricted	1,630,371	8,125,750	9,756,121
Total Net Position	<u>\$ 16,463,422</u>	<u>\$ 31,458,277</u>	<u>\$ 47,921,699</u>

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, 2013

Functions/Programs:	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 2,652,168	\$ 196,043	\$ -	\$ -	\$ (2,456,125)	\$ -	\$ (2,456,125)
Public safety	5,644,118	1,539,220	5,886	120,800	(3,978,212)	-	(3,978,212)
Physical environment	1,932,092	552,983	378,943	52,382	(947,784)	-	(947,784)
Economic environment	1,187,237	11,150	23,500	610,891	(541,696)	-	(541,696)
Culture and recreation	2,252,677	119,784	106,503	-	(2,026,390)	-	(2,026,390)
Interest on long-term debt	462,912	-	-	-	(462,912)	-	(462,912)
Total governmental activities	<u>14,131,204</u>	<u>2,419,180</u>	<u>514,832</u>	<u>784,073</u>	<u>(10,413,119)</u>	<u>-</u>	<u>(10,413,119)</u>
Business-type activities:							
Water and sewer	6,296,831	7,739,529	432,765	62,437	-	1,937,900	1,937,900
Sanitation	1,574,137	2,587,497	-	-	-	1,013,360	1,013,360
Stormwater	371,287	661,120	-	-	-	289,833	289,833
Seaplane Base	618,676	301,130	-	-	-	(317,546)	(317,546)
Total business-type activities	<u>8,860,931</u>	<u>11,289,276</u>	<u>432,765</u>	<u>62,437</u>	<u>-</u>	<u>2,923,547</u>	<u>2,923,547</u>
Total primary government	<u>\$ 22,992,135</u>	<u>\$ 13,708,456</u>	<u>\$ 947,597</u>	<u>\$ 846,510</u>	<u>(10,413,119)</u>	<u>2,923,547</u>	<u>(7,489,572)</u>
General revenues:							
Taxes:							
Property taxes					3,747,879	-	3,747,879
Franchise fees and utility taxes					2,858,876	-	2,858,876
Intergovernmental-unrestricted					2,253,771	-	2,253,771
Investment income and miscellaneous					167,118	9,589	176,707
Transfers					1,612,108	(1,612,108)	-
Total general revenues, special items, and transfers					<u>10,639,752</u>	<u>(1,602,519)</u>	<u>9,037,233</u>
Change in net position					226,633	1,321,028	1,547,661
Net position - beginning, as restated (Note 2)					<u>16,236,789</u>	<u>30,137,249</u>	<u>46,374,038</u>
Net position - ending					<u>\$ 16,463,422</u>	<u>\$ 31,458,277</u>	<u>\$ 47,921,699</u>

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

CITY OF TAVARES, FLORIDA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

September 30, 2013

	General	Fire Assessment Fund	Greater Downtown TIF District	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 1,114,488	\$ -	\$ 107,172	\$ 2,388,517	\$ 1,661,830	\$ 5,272,007
Receivables, net	289,855	216,519	375	-	-	506,749
Inventories, at cost	5,878	-	-	-	-	5,878
Due from other funds	1,559,486	-	-	1,042,500	-	2,601,986
Due from other governments	212,470	-	-	-	749,686	962,156
Restricted assets:						
Cash and cash equivalents	196	-	-	2,706,000	-	2,706,196
<b>Total assets</b>	<b>\$ 3,182,373</b>	<b>\$ 216,519</b>	<b>\$ 107,547</b>	<b>\$ 6,137,017</b>	<b>\$ 2,411,516</b>	<b>\$ 12,054,972</b>
<b>Liabilities and Fund Balances:</b>						
Accounts payable	\$ 307,851	\$ -	\$ 3,871	\$ 442,668	\$ 659,180	\$ 1,413,570
Accrued liabilities	496,516	-	-	-	-	496,516
Due to other funds	1,082,500	127,495	-	2,931,784	418,604	4,560,383
Unearned revenue	68,253	-	-	-	30,287	98,540
Other current liabilities	2,202	-	-	-	-	2,202
Matured bonds payable	-	-	-	-	608,000	608,000
Matured interest payable	-	-	-	-	87,780	87,780
<b>Total liabilities</b>	<b>1,957,322</b>	<b>127,495</b>	<b>3,871</b>	<b>3,374,452</b>	<b>1,803,851</b>	<b>7,266,991</b>
<b>Fund balances:</b>						
Nonspendable	537,904	-	-	-	29,295	567,199
Restricted	-	89,024	103,676	2,762,565	578,370	3,533,635
Assigned	112,624	-	-	-	-	112,624
Unassigned	574,523	-	-	-	-	574,523
<b>Total fund balances</b>	<b>1,225,051</b>	<b>89,024</b>	<b>103,676</b>	<b>2,762,565</b>	<b>607,665</b>	<b>4,787,981</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,182,373</b>	<b>\$ 216,519</b>	<b>\$ 107,547</b>	<b>\$ 6,137,017</b>	<b>\$ 2,411,516</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	27,309,343
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	466,696
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(58,285)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(16,042,313)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 16,463,422</u></b>

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

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2013

	General	Fire Assessment Fund	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 6,245,728	\$ -	\$ 97,585	\$ -	\$ 263,442	\$ 6,606,755
Licenses and permits	598,465	-	-	-	-	598,465
Intergovernmental revenues	1,609,419	-	23,500	-	1,919,757	3,552,676
Charges for services	257,096	1,496,669	11,150	-	13,455	1,778,370
Fines and forfeitures	31,236	-	-	-	11,109	42,345
Investment income	2,345	-	37	1,659	1,192	5,233
Miscellaneous	139,638	-	74,954	-	21,447	236,039
<b>Total revenues</b>	<b>8,883,927</b>	<b>1,496,669</b>	<b>207,226</b>	<b>1,659</b>	<b>2,230,402</b>	<b>12,819,883</b>
<b>Expenditures:</b>						
Current:						
General government	2,513,661	-	-	-	-	2,513,661
Public safety	5,376,736	-	-	-	232,037	5,608,773
Physical environment	1,663,815	-	-	-	52,382	1,716,197
Economic environment	238,166	-	96,088	-	610,891	945,145
Culture and recreation	1,984,835	-	-	-	268,030	2,252,865
Debt Service:						
Principal	25,814	-	-	-	1,067,000	1,092,814
Interest and fiscal charges	44,162	-	-	-	402,364	446,526
Capital outlay	-	-	-	2,427,508	-	2,427,508
<b>Total Expenditures</b>	<b>11,847,189</b>	<b>-</b>	<b>96,088</b>	<b>2,427,508</b>	<b>2,632,704</b>	<b>17,003,489</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,963,262)</b>	<b>1,496,669</b>	<b>111,138</b>	<b>(2,425,849)</b>	<b>(402,302)</b>	<b>(4,183,606)</b>
<b>Other Financing Sources (Uses):</b>						
Notes payable	2,750,000	-	-	-	-	2,750,000
Transfers in	3,416,030	-	-	2,848,500	156,350	6,420,880
Transfers out	(3,352,151)	(1,407,645)	(48,976)	-	-	(4,808,772)
<b>Total other financing sources (uses)</b>	<b>2,813,879</b>	<b>(1,407,645)</b>	<b>(48,976)</b>	<b>2,848,500</b>	<b>156,350</b>	<b>4,362,108</b>
<b>Net Change in Fund Balances</b>	<b>(149,383)</b>	<b>89,024</b>	<b>62,162</b>	<b>422,651</b>	<b>(245,952)</b>	<b>178,502</b>
<b>Fund Balances - Beginning</b>	<b>1,374,434</b>	<b>-</b>	<b>41,514</b>	<b>2,339,914</b>	<b>853,617</b>	<b>4,609,479</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,225,051</b>	<b>\$ 89,024</b>	<b>\$ 103,676</b>	<b>\$ 2,762,565</b>	<b>\$ 607,665</b>	<b>\$ 4,787,981</b>

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, 2013

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$ 178,502
 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.	 2,040,300
 Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.	 (114,320)
 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.	 (15,438)
 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	 (1,673,572)
 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.	 (188,839)
 Change in net position of governmental activities	 <u>\$ 226,633</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 6,555,232	\$ 6,500,712	\$ 6,245,728	\$ (254,984)
Licenses and permits	429,861	598,763	598,465	(298)
Intergovernmental revenues	1,580,629	1,614,808	1,609,419	(5,389)
Charges for services	163,115	207,098	257,096	49,998
Fines and forfeitures	38,385	31,236	31,236	-
Investment income	13,568	4,344	2,345	(1,999)
Miscellaneous	75,504	139,638	139,638	-
Total revenues	<u>8,856,294</u>	<u>9,096,599</u>	<u>8,883,927</u>	<u>(212,672)</u>
<b>Expenditures:</b>				
Current:				
General government	2,620,254	2,609,803	2,513,661	96,142
Public Safety	5,098,191	5,294,925	5,376,736	(81,811)
Physical environment	1,665,455	1,700,227	1,663,815	36,412
Economic environment	272,222	276,386	238,166	38,220
Culture and recreation	2,026,394	2,005,133	1,984,835	20,298
Debt Service:				
Principal	25,817	25,817	25,814	3
Interest and other charges	2,114	46,114	44,162	1,952
Total Expenditures	<u>11,710,447</u>	<u>11,958,405</u>	<u>11,847,189</u>	<u>111,216</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<u>(2,854,153)</u>	<u>(2,861,806)</u>	<u>(2,963,262)</u>	<u>(101,456)</u>
<b>Other Financing Sources (Uses)</b>				
Notes payable	-	2,750,000	2,750,000	-
Transfers in	3,572,094	3,519,386	3,416,030	(103,356)
Transfers out	(846,420)	(3,533,776)	(3,352,151)	181,625
Total other financing sources and uses	<u>2,725,674</u>	<u>2,735,610</u>	<u>2,813,879</u>	<u>78,269</u>
<b>Net Change in Fund Balances</b>	(128,479)	(126,196)	(149,383)	(23,187)
<b>Fund Balances - Beginning</b>	<u>1,374,434</u>	<u>1,374,434</u>	<u>1,374,434</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,245,955</u>	<u>\$ 1,248,238</u>	<u>\$ 1,225,051</u>	<u>\$ (23,187)</u>

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

CITY OF TAVARES, FLORIDA

**FIRE ASSESSMENT SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 1,569,134	\$ 1,569,134	\$ 1,496,669	\$ (72,465)
Total revenues	<u>1,569,134</u>	<u>1,569,134</u>	<u>1,496,669</u>	<u>(72,465)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(1,569,134)	(1,569,134)	(1,407,645)	161,489
Total other financing sources and uses	<u>(1,569,134)</u>	<u>(1,569,134)</u>	<u>(1,407,645)</u>	<u>161,489</u>
<b>Net Change in Fund Balances</b>	-	-	89,024	89,024
<b>Fund Balances - Beginning</b>	-	-	-	-
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,024</u>	<u>\$ 89,024</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and special assessments	\$ 108,845	\$ 108,845	\$ 97,585	\$ (11,260)
Intergovernmental revenues	22,500	22,500	23,500	1,000
Charges for services	17,500	17,500	11,150	(6,350)
Investment income	-	-	37	37
Miscellaneous	-	-	74,954	74,954
Total revenues	<u>148,845</u>	<u>148,845</u>	<u>207,226</u>	<u>58,381</u>
<b>Expenditures:</b>				
Current:				
Economic environment	<u>107,600</u>	<u>110,388</u>	<u>96,088</u>	<u>14,300</u>
Total Expenditures	<u>107,600</u>	<u>110,388</u>	<u>96,088</u>	<u>14,300</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>41,245</u>	<u>38,457</u>	<u>111,138</u>	<u>72,681</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(48,976)</u>	<u>(48,976)</u>	<u>(48,976)</u>	<u>-</u>
Total other financing sources and uses	<u>(48,976)</u>	<u>(48,976)</u>	<u>(48,976)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(7,731)</u>	<u>(10,519)</u>	<u>62,162</u>	<u>72,681</u>
<b>Fund Balances - Beginning</b>	<u>41,514</u>	<u>41,514</u>	<u>41,514</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 33,783</u>	<u>\$ 30,995</u>	<u>\$ 103,676</u>	<u>\$ 72,681</u>

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

CITY OF TAVARES, FLORIDA

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

September 30, 2013

	Business-Type Activities - Enterprise Funds				Total
	Water and Sewer	Sanitation	Stormwater	Seaplane Base	
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 6,462,212	\$ 1,063,260	\$ 339,823	\$ 98,987	\$ 7,964,282
Receivables, net	295,590	292,748	73,693	2,595	664,626
Inventories, at cost	-	-	-	25,480	25,480
Due from other funds	2,035,482	-	-	40,000	2,075,482
Due from other governments	246,169	-	-	-	246,169
Total current assets	<u>9,039,453</u>	<u>1,356,008</u>	<u>413,516</u>	<u>167,062</u>	<u>10,976,039</u>
Noncurrent assets:					
Restricted cash and cash equivalents	5,209,216	-	-	-	5,209,216
Special assessments receivable - long-term	18,403	-	-	-	18,403
Capital assets:					
Land, buildings and equipment	53,607,244	1,376,308	1,476,437	60,826	56,520,815
Construction in progress	11,893,092	-	12,412	-	11,905,504
Less: accumulated depreciation	(25,121,249)	(1,171,509)	(595,594)	(7,208)	(26,895,560)
Total capital assets (net of accumulated depreciation)	<u>40,379,087</u>	<u>204,799</u>	<u>893,255</u>	<u>53,618</u>	<u>41,530,759</u>
Total non-current assets	<u>45,606,706</u>	<u>204,799</u>	<u>893,255</u>	<u>53,618</u>	<u>46,758,378</u>
Total assets	<u>54,646,159</u>	<u>1,560,807</u>	<u>1,306,771</u>	<u>220,680</u>	<u>57,734,417</u>
<b>Deferred Outflows of Resources:</b>					
Deferred charge on refunding	43,960	-	-	-	43,960
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	1,835,664	24,325	15,953	6,225	1,882,167
Accrued liabilities	184,857	32,749	18,635	18,209	254,450
Customer deposits payable	478,974	-	-	-	478,974
Notes payable	517,322	-	-	-	517,322
Revenue bonds payable - current	215,000	-	-	-	215,000
Due to other funds	-	-	-	117,085	117,085
Capital lease obligation - current	-	34,876	29,709	-	64,585
Accrued interest payable	114,893	721	614	-	116,228
Total current liabilities	<u>3,346,710</u>	<u>92,671</u>	<u>64,911</u>	<u>141,519</u>	<u>3,645,811</u>
Noncurrent liabilities:					
Other post employment benefit obligations	13,669	4,642	1,477	-	19,788
Notes payable	15,682,570	-	-	-	15,682,570
Revenue bonds payable	6,665,000	-	-	-	6,665,000
Capital lease obligation	-	164,560	142,371	-	306,931
Total noncurrent liabilities	<u>22,361,239</u>	<u>169,202</u>	<u>143,848</u>	<u>-</u>	<u>22,674,289</u>
Total liabilities	<u>25,707,949</u>	<u>261,873</u>	<u>208,759</u>	<u>141,519</u>	<u>26,320,100</u>
<b>Net position:</b>					
Net investment in capital assets	17,343,155	5,363	721,175	53,618	18,123,311
Restricted for capital projects	5,209,216	-	-	-	5,209,216
Unrestricted	6,429,799	1,293,571	376,837	25,543	8,125,750
Total net position	<u>\$ 28,982,170</u>	<u>\$ 1,298,934</u>	<u>\$ 1,098,012</u>	<u>\$ 79,161</u>	<u>\$ 31,458,277</u>

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

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CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2013

	Business-Type Activities - Enterprise Funds				Total
	Water and Sewer	Sanitation	Stormwater	Seaplane Base	
<b>Operating Revenues:</b>					
User charges	\$ 7,708,984	\$ 2,587,497	\$ 661,120	\$ 301,118	\$ 11,258,719
Other revenue	30,545	-	-	12	30,557
Total operating revenues	<u>7,739,529</u>	<u>2,587,497</u>	<u>661,120</u>	<u>301,130</u>	<u>11,289,276</u>
<b>Operating Expenses:</b>					
Personal services	1,691,875	388,096	169,108	260,015	2,509,094
Utilities	604,347	864,449	-	35,744	1,504,540
Materials and supplies	480,718	104,729	28,407	205,512	819,366
Repairs and maintenance	272,896	69,430	21,491	38,357	402,174
Depreciation and amortization	2,011,077	80,403	83,536	4,874	2,179,890
Professional services	488,387	7,750	30,745	40,040	566,922
Other expenses	341,762	54,056	33,550	34,134	463,502
Total operating expenses	<u>5,891,062</u>	<u>1,568,913</u>	<u>366,837</u>	<u>618,676</u>	<u>8,445,488</u>
Operating income (loss)	<u>1,848,467</u>	<u>1,018,584</u>	<u>294,283</u>	<u>(317,546)</u>	<u>2,843,788</u>
<b>Nonoperating Revenue (Expenses):</b>					
Intergovernmental revenue	432,765	-	-	-	432,765
Investment income	9,559	19	11	-	9,589
Interest expense	(405,769)	(5,224)	(4,450)	-	(415,443)
Total nonoperating revenue (expenses)	<u>36,555</u>	<u>(5,205)</u>	<u>(4,439)</u>	<u>-</u>	<u>26,911</u>
Income (loss) before contributions and transfers	1,885,022	1,013,379	289,844	(317,546)	2,870,699
Impact fees	62,437	-	-	-	62,437
Transfers in	-	-	134,970	396,277	531,247
Transfers out	(1,285,480)	(663,284)	(194,340)	(251)	(2,143,355)
Change in net position	661,979	350,095	230,474	78,480	1,321,028
<b>Total Net Position - Beginning, As Restated</b>	<u>28,320,191</u>	<u>948,839</u>	<u>867,538</u>	<u>681</u>	<u>30,137,249</u>
<b>Total Net Position - Ending</b>	<u>\$ 28,982,170</u>	<u>\$ 1,298,934</u>	<u>\$ 1,098,012</u>	<u>\$ 79,161</u>	<u>\$ 31,458,277</u>

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

CITY OF TAVARES, FLORIDA

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For The Year Ended September 30, 2013

	Enterprise Funds				
	Water and Sewer	Sanitation	Stormwater	Seaplane Base	Total
<b>Cash Flows from Operating Activities:</b>					
Receipts from customers	\$ 7,963,310	\$ 2,578,137	\$ 646,740	\$ 300,999	\$ 11,489,186
Payments to suppliers	(1,622,507)	(1,105,267)	(100,784)	(349,658)	(3,178,216)
Payments to employees	(1,682,834)	(382,784)	(167,547)	(260,181)	(2,493,346)
Net cash provided (used) by operating activities	<u>4,657,969</u>	<u>1,090,086</u>	<u>378,409</u>	<u>(308,840)</u>	<u>5,817,624</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Transfers in	-	-	134,970	396,277	531,247
Transfers out	(1,285,480)	(663,284)	(194,340)	(251)	(2,143,355)
Increase in due from other funds	(2,000,000)	-	-	-	(2,000,000)
Net cash provided (used) by non-capital financing activities	<u>(3,285,480)</u>	<u>(663,284)</u>	<u>(59,370)</u>	<u>396,026</u>	<u>(3,612,108)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Grant revenues	200,466	-	-	-	200,466
Proceeds of notes and leases	546,048	-	-	-	546,048
Acquisition of capital assets	(5,804,755)	(2,198)	(55,756)	(51,890)	(5,914,599)
Proceeds of bonds	1,950,000	-	(29,127)	-	1,920,873
Interest paid on revenue bonds, notes and leases	(732,592)	(4,503)	(3,836)	-	(740,931)
Impact fees received	62,437	-	-	-	62,437
Net cash provided (used) by capital and related financing activities	<u>(3,778,396)</u>	<u>(6,701)</u>	<u>(88,719)</u>	<u>(51,890)</u>	<u>(3,925,706)</u>
<b>Cash Flows from Investing Activities:</b>					
Investment income	9,559	19	11	-	9,589
Net cash provided (used) by investing activities	<u>9,559</u>	<u>19</u>	<u>11</u>	<u>-</u>	<u>9,589</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(2,396,348)</u>	<u>420,120</u>	<u>230,331</u>	<u>35,296</u>	<u>(1,710,601)</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>14,067,776</u>	<u>677,332</u>	<u>109,492</u>	<u>63,691</u>	<u>14,918,291</u>
<b>Cash and Cash Equivalents - End</b>	<u>\$ 11,671,428</u>	<u>\$ 1,097,452</u>	<u>\$ 339,823</u>	<u>\$ 98,987</u>	<u>\$ 13,207,690</u>
<b>Classified As:</b>					
Cash and cash equivalents	\$ 6,462,212	\$ 1,063,260	\$ 339,823	\$ 98,987	\$ 7,964,282
Restricted cash and cash equivalents	5,209,216	-	-	-	5,209,216
Total	<u>\$ 11,671,428</u>	<u>\$ 1,063,260</u>	<u>\$ 339,823</u>	<u>\$ 98,987</u>	<u>\$ 13,173,498</u>

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

	<b>Enterprise Funds</b>				
	Water and Wastewater Fund	Solid Waste Fund	Stormwater Fund	Seaplane Base	Total
<b>Reconciliation of Operating Income to</b>					
<b>Net Cash Provided by Operating Activities</b>					
Operating income (loss)	\$ 1,848,467	\$ 1,018,584	\$ 294,283	\$ (317,546)	\$ 2,843,788
<b>Adjustments Not Affecting Cash:</b>					
Depreciation and amortization	2,011,077	80,403	83,536	4,874	2,179,890
<b>Change in Assets and Liabilities:</b>					
(Increase) Decrease in accounts receivable	155,670	(9,360)	(14,380)	(131)	131,799
Decrease in inventories	4,434	-	-	1,925	6,359
Increase (decrease) in accounts payable	561,169	(4,853)	13,409	2,204	571,929
Increase in accrued liabilities	7,429	4,816	1,406	(166)	13,485
Increase in customer deposits	68,111	-	-	-	68,111
Increase in OPEB obligation	1,612	496	155	-	2,263
Total adjustments	798,425	(8,901)	590	3,832	793,946
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>\$ 4,657,969</b>	<b>\$ 1,090,086</b>	<b>\$ 378,409</b>	<b>\$ (308,840)</b>	<b>\$ 5,817,624</b>
<b>Noncash Capital and Financing Activities:</b>					
Net transfers of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Contributed assets	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF TAVARES, FLORIDA

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

September 30, 2013

	<u>Total Pension Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 382,598
Receivables:	
Employer contribution receivable	<u>41,501</u>
Total receivables	<u>41,501</u>
Investments, at fair value:	
Exchange traded funds	7,492,507
Other pension mutual funds	<u>7,209,781</u>
Total Investments	<u>14,702,288</u>
Total assets	<u>15,126,387</u>
<b>Liabilities:</b>	
Accounts payable	<u>16,872</u>
<b>Net Position:</b>	
Held in trust for pension benefits	<u><u>\$ 15,109,515</u></u>

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

CITY OF TAVARES, FLORIDA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

For the Year Ended September 30, 2013

	<u>Total Pension Funds</u>
<b>Additions:</b>	
Contributions:	
Employer	\$ 582,294
Plan members	227,382
State	159,889
Total contributions	<u>969,565</u>
Investment income:	
Net increase (decrease) in fair value	1,358,506
Interest	244,030
Less: investment expense	(66,995)
Net investment income (loss)	<u>1,535,541</u>
Total additions	<u>2,505,106</u>
<b>Deductions:</b>	
Benefits/distributions	418,528
Total deductions	<u>418,528</u>
<b>Change in net position</b>	2,086,578
<b>Net position - beginning</b>	<u>13,022,937</u>
<b>Net position - ending</b>	<u><u>\$ 15,109,515</u></u>

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

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTES TO FINANCIAL STATEMENTS**

September 30, 2013

**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. Separate financial statements are not issued for the TIF district.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**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 position and the statement of changes in net position) 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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

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

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 *Fire Assessment Special Revenue Fund* was established to account for the proceeds of the Fire Assessment Property Tax. The proceeds and interest accrued thereto, by law, are only to be used for public safety expenditures.

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.

**Nonmajor Governmental Funds**

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

The *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**

The *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.

The *Solid Waste Fund* is used to account for the fiscal activities of the City's refuse collection and disposal operation.

The *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.

The *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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

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

**Nonmajor Proprietary Funds**

No proprietary funds were classed as nonmajor 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.

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, solid waste, 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.

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, Deferred Outflows/Inflows of Resources and Net Position 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued):***

**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 nonspendable fund balance 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.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued):***

**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.

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 \$952,016. Of this amount, \$225,695 was included as part of the cost of capital assets under construction in connection with water and wastewater construction projects.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued):***

**7. Post Retirement Benefits**

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

**8. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the enterprise and government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category.

**10. Net position flow assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted- net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted-net position is applied.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued):***

**11. Fund balance flow assumption**

Sometimes the city will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**12. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. The City Commission is the highest level of decision making authority for the City that can, by adoption of an Ordinance or Resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken (the adoption of another ordinance or resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The commission may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily.

**13. New GASB Statements Implemented**

In fiscal year 2013, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement classifies all sources of generally accepted accounting principles for state and local governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. The City elected to include all pre-November 30, 1989 FASB pronouncements which are now codified in GASB 62 which specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued):***

**13. New GASB Statements Implemented**

In fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides which establishes guidance for reporting deferred outflows or of resources and, deferred inflows of resources, and net position in a statement of financial position. It further identifies net position as the residual of all elements presented in a statement of financial position. This Statement redefines certain assets and liabilities as “deferred outflows of resources” or “deferred inflows of resources.” It further requires the “Capital asset, net of debt” now be titled “Net investment in capital assets” and that the last line of the statements, previously called “Net assets” now be titled “Net position.”

In fiscal year 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement provides additional guidance for the items listed in GASB 63 and includes additional changes in accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement requires that debt issuance costs be expensed in the period the debt was issued. This Statement also requires that taxes and lease revenues received prior to the period to which they relate to be classified as Unavailable Revenue (a deferred inflow). Changes to the government-wide statements, schedules, and related disclosures are included in Note 2 which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

**14. 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 - Prior Period Restatement:**

The October 1, 2012 beginning net position of the Water and Sewer Utility Fund was restated due to a change in accounting principle and a correction of an error. The change in accounting principle, due to the implementation of GASB Statements No. 63 and No. 65, required adjustment due to the fact that bond issue costs are no longer considered an asset.

The correction of an error involves utility billing of certain customers. During Fiscal Year 2013, the City contracted with a firm to conduct a Rate Study for Water, Sewer and Stormwater Revenue sufficiency. Revenue sufficiency is a requirement under all Water and Sewer Loan Funding Agreements. The Finance Department provided data from the Utility Billing System as it relates to customer data, rate charge data, and consumption equivalency data. The rate consultant compared the data received against billing frequencies and authorized rates against the prior year Financial Report (2012). His review indicated that the City had overbilled water revenue for commercial water consumption for meters one inch and over.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 2 - Prior Period Restatement (Continued):**

A further and in-depth analysis determined that the billing system was charging the correct rates for consumption, but the equivalencies (block tiers which determine when a customer moves to the next rate for consumption charges) was set at the residential block equivalency tiers which resulted in an overbilling of Commercial Water Consumption charges for meter sizes of one inch and greater. All Residential accounts and those Commercial accounts with meters less than one inch were billed correctly. Additional review and analysis of each year since the previous rate study (July 2009) were conducted to determine the extent of the error. Fiscal year 2010, the implementation year for the 2009 Rate Study, was correct, but fiscal years 2011 and 2012 as well as the current year indicated that Commercial Customers with meter sizes greater than one inch were overbilled. In order to reduce the likelihood of similar errors in the future, the Finance Department has implemented additional oversight which will include the rate consultant annually. The current year includes an adjustment in the amount of \$209,256.

The effects of the restatements are as follows:

	Water and Sewer Utility Fund	Business-type Activities
	<u>                    </u>	<u>                    </u>
Net Position, October 1, 2012, previously stated	\$ 28,982,358	\$ 30,799,416
Fiscal year 2011 overbilling	(159,951)	(159,951)
Fiscal year 2012 overbilling	(201,146)	(201,146)
Restatement of net position due to implementation of GASB 65	<u>(301,070)</u>	<u>(301,070)</u>
Net position, October 1, 2012, restated	<u>\$ 28,320,191</u>	<u>\$ 30,137,249</u>

If these changes had been implemented in fiscal year 2012, revenue would have decreased by \$201,146 and expenses would have decreased by \$17,343.

The October 1, 2012 beginning balances on the long term debt schedules for Governmental Activities and Business-Type Activities for deferred amounts were restated due to the implementation of GASB Statements No. 63 and No. 65 and are disclosed in Note 8- Long-Term Liabilities.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 3 - 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 position of governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital Outlay	\$ 3,187,086
Depreciation expense	<u>(1,146,786)</u>
Net Adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 2,040,300</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 position for the respective contributing fund. The details of this difference are as follows:

Net Pension Asset	<u>\$ (15,438)</u>
Net Adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (15,438)</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 position. The details of this difference are as follows:

Debt issued or incurred:	
Notes payable	\$ (2,750,000)
Interest Payable (net change)	(16,386)
Principal repayment	<u>1,092,814</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (1,673,572)</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 3 - Reconciliation of Government-Wide and Fund Financial Statements (*Continued*):**

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

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

Compensated absences	\$ (178,700)
Other post employment benefits	(10,139)
Net adjustment to decrease <i>net changes in fund balances - total</i> governmental funds to arrive at <i>changes in net position of</i> <i>governmental activities</i>	<u>\$ (188,839)</u>

**Note 4 - Stewardship, Compliance, and Accountability:**

**A. Excess of Expenditures over Appropriations**

The Grant Fund and the Police Training Fund contained excess expenditures over appropriations during the fiscal year ended September 30, 2013.

**B. Appropriations in Excess of Funds Available**

The Capital Projects Fund contained appropriations in excess of revenues and available fund balance for the fiscal year ending September 30, 2013.

**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 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them. Budgets are adopted for all funds except pension trust funds, permanent funds, and the Flag Pole Special Revenue Fund.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1<sup>st</sup>, 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 2012, the City made several amendments to the budget.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 4 - 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 5 - Deposits and Investments:**

***A. Deposits***

At year end, the carrying amount of the City's deposits was \$15,989,186, and the bank balance was \$16,702,273. Of this amount \$498,347 represented customer utility deposits. Petty cash funds and working cash for cashier operations of \$4,925 is not on deposit with a financial institution. Fiduciary fund cash of \$382,598 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;
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;

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 5 - Deposits and Investments:**

***B. Investments (Continued):***

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, 2012 are summarized below. Defined benefit pension plan investments are included below. Investments are reported at fair value in accordance with GASB Statement No. 31.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average Maturity (Years)</u>
State Board of Administration Fund - A Fund	5,096,335	AAAm	44 days
State Board of Administration Fund - B Fund	66,247	Unrated	4.04
BB&T Interest-Bearing Treasury Fund	2,264,983	Unrated	<90 days
Pension Funds			
Exchange Traded Funds	6,520,230	N/A	N/A
Other Pension Mutual Funds	6,817,583	N/A	N/A

**Credit Risk**

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 5 - Deposits and Investments (Continued):**

***B. Investments (Continued)***

**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, 2013, 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, 2013

**Note 6 - 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	\$ 354,337	\$ (64,482)	\$ 289,855
Fire Assessment Fund	216,519	-	216,519
Greater Downtown TIF	7,500	(7,125)	375
Water & Sewer	746,610	(451,020)	295,590
Solid Waste	378,398	(85,650)	292,748
Stormwater	95,296	(21,603)	73,693
Seaplane Base	2,595	-	2,595
Total	<u>\$ 1,801,255</u>	<u>\$ (629,880)</u>	<u>\$ 1,171,375</u>

CITY OF TAVARES, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 7 - Capital Assets:**

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,113,405	\$ 100,000	\$ -	\$ 5,213,405
Construction in progress	1,875,523	2,779,998	(666,415)	3,989,106
Total capital assets, not being depreciated:	<u>6,988,928</u>	<u>2,879,998</u>	<u>(666,415)</u>	<u>9,202,511</u>
Capital assets, being depreciated:				
Buildings	5,076,362	552,185	-	5,628,547
Improvements/Infrastructure	16,343,824	239,659	-	16,583,483
Machinery and equipment	6,512,369	178,759	(148,050)	6,543,078
Software/licenses	185,699	2,900	-	188,599
Total capital assets, being depreciated:	<u>28,118,254</u>	<u>973,503</u>	<u>(148,050)</u>	<u>28,943,707</u>
Less accumulated depreciation				
Buildings	(1,789,239)	(128,506)	-	(1,917,745)
Improvements/Infrastructure	(2,210,844)	(637,204)	-	(2,848,048)
Machinery and equipment	(5,627,660)	(344,790)	33,730	(5,938,720)
Software/licenses	(96,076)	(36,286)	-	(132,362)
Total accumulated depreciation	<u>(9,723,819)</u>	<u>(1,146,786)</u>	<u>33,730</u>	<u>(10,836,875)</u>
Total capital assets, being amortized/depreciated:	<u>18,394,435</u>	<u>(173,283)</u>	<u>(114,320)</u>	<u>18,106,832</u>
Governmental activities assets, net	<u>\$ 25,383,363</u>	<u>\$ 2,706,715</u>	<u>\$ (780,735)</u>	<u>\$ 27,309,343</u>

CITY OF TAVARES, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 7 - Capital Assets (Continued):**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 388,346	\$ -	\$ -	\$ 388,346
Construction in progress	7,615,348	5,650,073	(1,359,917)	11,905,504
Total capital assets, not being depreciated	<u>8,003,694</u>	<u>5,650,073</u>	<u>(1,359,917)</u>	<u>12,293,850</u>
Capital assets, being depreciated:				
Buildings & improvements	48,844,156	1,571,238	-	50,415,394
Machinery and equipment	5,468,926	261,901	(30,752)	5,700,075
Software/licenses	-	17,000	-	17,000
Total capital assets, being depreciated	<u>54,313,082</u>	<u>1,850,139</u>	<u>(30,752)</u>	<u>56,132,469</u>
Less accumulated depreciation for:				
Buildings & improvements	(20,968,861)	(1,640,712)	-	(22,609,573)
Machinery and equipment	(3,777,561)	(537,762)	30,752	(4,284,571)
Software/licenses	-	(1,416)	-	(1,416)
Total accumulated depreciation	<u>(24,746,422)</u>	<u>(2,179,890)</u>	<u>30,752</u>	<u>(26,895,560)</u>
Total capital assets, being depreciated, net	<u>29,566,660</u>	<u>(329,751)</u>	<u>-</u>	<u>29,236,909</u>
Business-type activities capital assets, net	<u>\$ 37,570,354</u>	<u>\$ 5,320,322</u>	<u>\$ (1,359,917)</u>	<u>\$ 41,530,759</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 127,788
Public safety	177,337
Physical environment	579,873
Economic Development	6,384
Culture and recreation	255,404
Total depreciation expense - governmental activities	<u>\$ 1,146,786</u>
Business-type activities:	
Water & sewer	2,011,077
Solid waste	80,403
Stormwater	83,536
Seaplane base & marina	4,874
Total depreciation expense - business-type activities	<u>\$ 2,179,890</u>

CITY OF TAVARES, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 8 - 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 business-type activities. During the year ended September 30, 2013, the City issued \$7,090,000 in water and sewer revenue bonds with an interest rate of 2.69%. The proceeds were used to currently refund \$4,705,000 of outstanding Series 2000 water and sewer water and sewer revenue bonds revenue bonds which had interest rates ranging from 5.0% to 5.5%.

The City refunded the 2000 revenue bonds to reduce its total debt service payments over sixteen years by approximately \$1.49 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1.14 million.

Revenue bonds outstanding at year end are as follows:

	<u>Interest Rates and Dates</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2013</u>
<b>Business-type activities:</b>				
Water and Sewer Revenue and Refunding Bonds, Series 2012A	2.69% (2/1 & 8/1)	8/1/2013 to 8/1/2030	<u>\$4,720,000</u>	\$ 4,510,000
Water and Sewer Revenue and Refunding Bonds, Series 2012B	2.69% (2/1 & 8/1)	8/1/2015 to 8/1/2030	<u>\$2,370,000</u>	<u>2,370,000</u>
				<u>\$6,880,000</u>

<u>Year ending September 30,</u>	<u>Business -Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 215,000	\$ 185,072
2015	340,000	179,289
2016	350,000	170,143
2017	355,000	160,728
2018	365,000	151,178
2019-2023	1,990,000	602,560
2024-2028	2,270,000	320,379
2029-2030	<u>995,000</u>	<u>40,349</u>
	<u>\$ 6,880,000</u>	<u>\$ 1,809,698</u>

The City of Tavares Water and Sewer Revenue Bonds, Series 2012, are secured by net revenues from the water and sewer utility. The total principal and interest remaining to be paid on this series is \$8,689,698. For the fiscal year, interest paid on this series was \$123,968, and total pledged revenue was \$3,921,981.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 8 - 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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Assets -		
Vehicles	\$ -	\$ 463,563
Machinery and equipment	122,609	-
Less: accumulated depreciation	<u>(10,269)</u>	<u>(104,414)</u>
Total	<u>\$ 112,340</u>	<u>\$ 359,149</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013 were as follows:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2014	\$ 27,927	\$ 71,659
2015	27,927	71,659
2016	27,927	71,659
2017	13,963	71,659
2018	-	71,659
2019	<u>-</u>	<u>35,765</u>
Total minimum lease payments	97,744	394,060
Less: amount representing interest	<u>(3,539)</u>	<u>(22,544)</u>
	<u>\$ 94,205</u>	<u>\$ 371,516</u>

**C. Notes Payable**

On June 18, 2012, the City issued \$3,300,000 General Obligation Note, Series 2012. This note was issued to finance the acquisition of land to expand Wooton Park, and to construct waterfront improvements. The note is secured by the general taxing power of the City.

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, 2013, loan draws in the amount of \$367,921 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 2013 was \$3,564,854.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 8 - 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, 2013, 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 2013 was \$3,588,621.

On May 11, 2011, the City executed State Revolving Loan agreement WW350910 for the Reclaimed Phase 1 project. The agreement provides total funding in the amount of \$3,144,810. The loan period is for 20 years with an interest rate of 2.37 percent. As of September 30, 2013, loan draws in the amount of \$2,535,012 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 2013 was \$3,555,389.

On October 20, 2011, the City executed State Revolving Loan agreement WW350920 for the Reclaimed Phase 2 project. The agreement provides total funding in the amount of \$2,774,101. The loan period is for 20 years with an interest rate of 2.51 percent. As of September 30, 2013, loan draws in the amount of \$775,674 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 2013 was \$3,524,930.

On August 9, 2013, the City issued the Capital Improvement Revenue Note, Series 2013, to acquire and construct a city owned and operated conference center and pavilion in Wootton Park. This Note is secured by utility tax revenues, which amounted to \$1,267,623 in 2013. Total principal and interest remaining to be paid on this series is \$3,540,965.

Notes payable outstanding at year end are as follows:

	<b>Governmental Activities</b>				
	<b>Sales Tax Revenue Note Series 2003</b>	<b>Capital Improvement Revenue Note Series 2008</b>	<b>Capital Improvement Revenue Refunding Note Series 2012</b>	<b>General Obligation Series 2012</b>	<b>Capital Improvement Revenue Note Series 2013</b>
Original amount issued	\$ 6,000,000	\$ 1,500,000	\$ 6,530,000	\$ 3,300,000	\$ 2,750,000
Issue date	07/22/2003	5/23/2008	6/14/2012	6/18/2012	8/9/2013
Final maturity	10/01/2016	10/1/2027	2/1/2028	7/1/2027	2/1/2032
Interest due	10/01 & 04/01	10/01 & 04/01	2/1 & 8/1	1/1 & 7/1	2/1 & 8/1
Interest rate	3.717%	3.99%	2.32%	2.77%	2.69%
Balance 9/30/13	\$ 1,755,000	\$ 1,207,000	\$ 6,358,000	\$ 3,123,000	\$ 2,750,000

CITY OF TAVARES, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 8 - Long-Term Debt (Continued):**

**C. Notes Payable (Continued)**

	<b>Business-Type Activities</b>				
	<b>State Revolving Loan WW 05P</b>	<b>State Revolving Loan WW60</b>	<b>State Revolving Loan DW31</b>	<b>State Revolving Loan 350910</b>	<b>State Revolving Loan 350920</b>
	Original amount issued	\$ 14,706,596	\$ 837,701	\$ 339,292	\$ 2,571,438
Issue date	04/02/2002	3/17/2009	9/21/2009	5/11/2011	4/5/2013
Final maturity	12/15/2035	4/15/2031	11/15/2030	3/15/2032	3/15/2032
Interest due	06/15 & 12/15	04/15 & 10/15	05/15 & 11/15	3/15 & 9/15	4/15 & 10/15
Interest rate	2.15%-3.07%	2.82%	2.82%	2.37%	2.51%
Balance 9/30/2012	\$ 12,172,253	\$ 837,701	\$ 339,292	\$ 2,328,365	\$ 781,262

Debt service requirements for notes payable at September 30, 2013 are:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>		<b>Business Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 1,173,000	\$ 415,472	\$ 610,933	\$ 337,162
2015	1,334,000	378,360	747,937	368,746
2016	1,374,000	336,663	779,257	337,426
2017	785,000	293,752	797,761	318,922
2018	808,000	272,760	812,507	299,972
2019-2023	4,374,000	1,027,763	3,400,521	1,254,052
2024-2028	4,615,000	407,666	3,796,147	837,560
2029-2033	730,000	39,947	3,802,647	400,806
2034-2035	-	-	1,452,182	39,201
	<u>\$ 15,193,000</u>	<u>\$ 3,172,383</u>	<u>\$ 16,199,892</u>	<u>\$ 4,193,847</u>

The Infrastructure Sales Tax Revenue Note, Series 2003 is secured by Infrastructure Sales Tax revenues. The total principal and interest remaining to be paid on this series is \$1,886,705. For the fiscal year, principal and interest paid on this series was \$630,330, and total pledged revenue was \$1,127,934.

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 Note was paid off during fiscal year 2013. For the fiscal year, principal and interest paid on this series was \$111,998.

The Capital Improvement Refunding Revenue Bond, Series 2012, \$6,530,000, is secured by utility tax revenues. The total principal and interest remaining to be paid on this series is \$7,528,347. For the fiscal year, principal and interest paid on this series was \$341,279, and total pledged revenue was \$1,267,623.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 8 - Long-Term Debt (Continued):**

***C. Notes Payable (Continued)***

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 \$1,599,016. For the fiscal year, principal and interest paid on this series was \$113,673.

The General Obligation Note, Series 2012, \$3,300,000, is secured by a pledge of the faith, credit and taxing power of the City by levy of Ad Valorem revenues on all taxable property in the City. The total principal and interest remaining to be paid on this series is \$3,810,350. For the fiscal year, principal and interest paid on this series was 271,711, and total pledged revenue was zero.

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 \$14,934,786. For the fiscal year, principal and interest paid on the note was \$678,854. Total pledged revenue for fiscal year was \$3,856,679.

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 \$434,995. For the fiscal year principal and interest paid on the note was \$24,418. Total pledged revenue for fiscal year 2012 was \$2,358,054.

The State Revolving Loan State Revolving Loan Agreement WW789060 in the amount of \$837,701 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 is \$1,038,990. Total pledged revenue for fiscal year was \$3,588,621.

The State Revolving Loan State Revolving Loan Agreement WW350910 in the amount of \$2,494,981 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 \$3,177,483. For the fiscal year principal and interest paid on the note was \$105,033. Total pledged revenue for fiscal year was \$3,555,389.

The State Revolving Loan State Revolving Loan Agreement WW350920 in the amount of \$781,362 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 \$831,852. Total pledged revenue for fiscal year was \$3,524,930.

CITY OF TAVARES, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 8 - Long-Term Debt (Continued):**

***D. Changes in Long-Term Liabilities:***

Long-term liability activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital Lease	\$ 120,019	\$ -	\$ (25,814)	\$ 94,205	\$ 26,296
Notes payable					
Capital improvement	6,530,000	-	(172,000)	6,358,000	357,000
Capital improvement	1,270,000	-	(63,000)	1,207,000	66,000
Sales tax	2,300,000	-	(545,000)	1,755,000	565,000
General obligation	3,300,000	-	(177,000)	3,123,000	185,000
Fire station	110,000	-	(110,000)	-	-
Capital improvement	-	2,750,000	-	2,750,000	-
Total notes payable	13,510,000	2,750,000	(1,067,000)	15,193,000	1,173,000
Other post employment benefits	77,724	10,139	-	87,863	-
Compensated absences	488,545	726,534	(547,834)	667,245	184,005
Governmental activity long-term liabilities	<u>\$ 14,196,288</u>	<u>\$ 3,486,673</u>	<u>\$ (1,640,648)</u>	<u>\$ 16,042,313</u>	<u>\$ 1,383,301</u>
<b>Business-type activities:</b>					
Bonds payable -					
Revenue bonds	\$ 4,930,000	\$ 7,090,000	\$ (5,140,000)	\$ 6,880,000	\$ 215,000
Less deferred amount:					
Issuance discount	(46,708)	-	46,708	-	-
Total bonds payable	4,883,292	7,090,000	(5,093,292)	6,880,000	215,000
Capital lease	434,835	-	(63,319)	371,516	64,585
State revolving loans	15,653,844	1,046,219	(500,171)	16,199,892	517,322
Other post employment benefits	17,525	2,263	-	19,788	-
Business-type activity long term liabilities	<u>\$ 20,989,496</u>	<u>\$ 8,138,482</u>	<u>\$ (5,656,782)</u>	<u>\$ 23,471,196</u>	<u>\$ 796,907</u>

**Note 9 - 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, 2013 there was an aggregate principal amount of \$1,000,000,000 authorized to be issued; however, no bonds have been issued.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 9 - 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 10 - Interfund Receivables, Payables and Transfers:**

The composition of due to/from other funds at September 30, 2013 is as follows:

	<b>Payable Fund</b>					<b>Total</b>
	<b>General Fund</b>	<b>Fire Assessment Fund</b>	<b>Capital Projects Fund</b>	<b>Seaplane Base</b>	<b>Nonmajor Governmental Funds</b>	
Receivable Fund						
General fund	\$ -	\$ 127,495	\$ 899,965	\$ 117,085	\$ 414,941	\$ 1,559,486
Capital projects fund	1,042,500	-	-	-	-	1,042,500
Seaplane base	40,000	-	-	-	-	40,000
Water & sewer fund	-	-	2,031,819	-	3,663	2,035,482
Total	<u>\$ 1,082,500</u>	<u>\$ 127,495</u>	<u>\$ 2,931,784</u>	<u>\$ 117,085</u>	<u>\$ 418,604</u>	<u>\$ 4,677,468</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, the seaplane base fund the fire assessment fund, and the infrastructure sales tax fund near the end of the year. Balance due from the general fund represents an amount to be transferred to the capital project fund for bond proceeds for the Wooton Park Expansion project. Balances are expected to be collected in these funds and reimbursed to the general fund in the subsequent year.

The Council has authorized a \$2,000,000 interfund loan from the Water and Sewer Fund to the General Fund for the Tavares Pavilion on the Lake Project and a \$450,000 interfund loan to the General Fund for the Train Station Depot Project. At September 30, 2013 no balances were outstanding related to these loans.

CITY OF TAVARES, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 10 - Interfund Receivables, Payables and Transfers (Continued):**

Interfund transfers for the year ended September 30, 2013 consisted of the following:

	Transfer in					Total
	General Fund	Capital Projects Fund	Stormwater Fund	Seaplane Base	Nonmajor Governmental Funds	
Transfer out:						
General fund	\$ -	\$ 2,848,500	\$ -	\$ 347,301	\$ 156,350	\$ 3,352,151
Fire assessment fund	1,407,645	-	-	-	-	1,407,645
Greater downtown						
TIF district	-	-	-	48,976	-	48,976
Water & sewer fund	1,150,510	-	134,970	-	-	1,285,480
Solid waste fund	663,284	-	-	-	-	663,284
Stormwater fund	194,340	-	-	-	-	194,340
Seaplane base fund	251	-	-	-	-	251
Total	<u>\$ 3,416,030</u>	<u>\$ 2,848,500</u>	<u>\$ 134,970</u>	<u>\$ 396,277</u>	<u>\$ 156,350</u>	<u>\$ 6,952,127</u>

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 11 - 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 2013 were \$77,207 in the Police Officer's Pension Trust fund and \$82,682 in the Firefighter's Pension Trust Fund.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 11 - Retirement Plans (Continued):**

**A. Defined Benefit Plans (Continued):**

The contribution requirements of the City for the POPP and the FPP are established by ordinance, and may be amended by the City Council. The City is required to contribute at an actuarially determined rate of covered compensation, but not less than 5%; employee contributions are required and are set by ordinance and may be amended by the City Council. Current year contribution details are provided below for each plan.

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

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

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 30, 2012 active plan membership was 25. Retired, DROP, terminated vested members, and beneficiaries totaled 10.

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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 11 - Retirement Plans (Continued):**

**A. Defined Benefit Plans (Continued)**

**1. Police Officers' Pension Plan (Continued)**

**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.

**Annual Pension Cost** For fiscal year 2013, the City's annual pension cost was \$365,497 and the City's required contribution was \$369,080 for the Police Officers' Pension Plan. Actual contributions were \$364,050. 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	
<hr/>	
Annual required contribution (ARC)	\$ 369,080
Interest credit	(15,097)
Adjustment to ARC	<u>11,514</u>
Annual pension cost	365,497
Contributions made	<u>364,050</u>
(Increase) decrease in net pension asset	1,447
Net pension obligation (asset) at beginning of year	<u>(192,293)</u>
Net pension obligation (asset) end of year	<u><u>\$ (190,846)</u></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			
<hr/>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<hr/>			
9/30/2012	\$ 365,497	101%	\$ (192,293)
9/30/2011	398,787	98%	(188,710)
9/30/2010	333,521	105%	(194,911)

**Funding Status and Funding Progress** As of October 1, 2012, the most recent actuarial valuation date, the plan was 78.3 percent funded. The actuarial accrued liability for benefits was \$9,666,701, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,094,886. The covered payroll (annual payroll of active employees covered by the plan) was \$1,416,027, and the ratio of the UAAL to the covered payroll was 147.9 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 11 - Retirement Plans (Continued):**

**A. Defined Benefit Plans (Continued)**

**1. Police Officers' Pension Plan (Continued)**

**Actuarial Methods and Assumptions** In the October 1, 2012 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 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, 2012, 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 30 2012, the plan's active membership was 20 members. Total retired members and DROP members were 7.

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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 11 - Retirement Plans (Continued):**

**A. Defined Benefit Plans (Continued)**

**2. Firefighters' Pension Plan (Continued)**

**Annual Pension Cost** For fiscal year 2012, the City's annual pension cost was \$358,246 and the City's required contribution was \$363,646 for the Firefighters' Pension Plan. Actual contributions were \$344,255. The City's annual pension cost and net pension obligation to the Firefighters' Pension Plan for the current year were as follows:

Firefighters' Pension Plan Net Pension Obligation - NPO	
Annual required contribution (ARC)	\$ 363,646
Interest credit	(22,755)
Adjustment to ARC	17,355
Annual pension cost	<u>358,246</u>
Contributions made	<u>344,255</u>
(Increase) decrease in net pension asset	13,991
Net pension obligation (asset) at beginning of year	<u>(289,841)</u>
Net pension obligation (asset) end of year	<u><u>\$ (275,850)</u></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)
9/30/2012	\$ 358,246	101.5%	\$ (289,841)
9/30/2011	390,996	99.0%	(284,441)
9/30/2010	335,737	101.0%	(287,174)

**Funding Status and Funding Progress** As of October 1, 2012, the most recent actuarial valuation date, the plan was 75.6 percent funded. The actuarial accrued liability for benefits was \$5,150,831, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,256,106. The covered payroll (annual payroll of active employees covered by the plan) was \$1,258,963, and the ratio of the UAAL to the covered payroll was 99.8 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 11 - Retirement Plans (Continued):**

**A. Defined Benefit Plans (Continued)**

**2. Firefighters' Pension Plan (Continued)**

**Actuarial Methods and Assumptions** In the October 1, 2012 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), and d) 3 percent payroll growth. All assumptions included a 3 percent inflation component. The actuarial value of assets utilizes the average annual market value rate of return for the past four years. Additional adjustments are made to remain 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, 2012, 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, 2012, 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 \$33,878.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 11 - 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, 2013, 95 City employees were members of the FRS Retirement Plans.

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

	10/1/2012 6/30/2013	7/1/2013 9/30/2013
Regular employees - members not qualifying for other classes	5.18%	6.95%
Deferred Retirement Option Program (DROP)	5.44%	12.84%
Senior Management -	6.30%	18.31%

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 2012-2013 fiscal year.

Fiscal Year Ended	Required Contribution	Percent (%) Contributed
9/30/2013	\$ 301,431	100.00%
9/30/2012	380,381	100.00%
9/30/2011	441,737	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, 2013

**Note 11 - Retirement Plans (Continued):**

***D. Individual Condensed Fiduciary Fund Statements***

Individual statements of fiduciary net position follow:

<b>CITY OF TAVARES, FLORIDA</b>			
<b><u>Individual Statement of Pension Fund Net Position</u></b>			
<b>Fiduciary Funds</b>			
<b>As of September 30, 2013</b>			
	General		
	Employees	Police Officers	Firefighters
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ 224,931	\$ 157,667
Receivables:			
Employer contribution receivable	-	31,455	10,046
Total receivables	-	31,455	10,046
Investments, at fair value:			
Exchange traded funds	-	4,923,027	2,569,480
Other pension mutual funds	1,640,810	3,663,579	1,905,392
Total Investments	1,640,810	8,586,606	4,474,872
Total assets	1,640,810	8,842,992	4,642,585
<b>Liabilities:</b>			
Accounts payable	-	-	16,872
<b>Net Position:</b>			
Held in trust for pension benefits	\$ 1,640,810	\$ 8,842,992	\$ 4,625,713

<b>CITY OF TAVARES, FLORIDA</b>			
<b><u>Individual Statement of Changes in Pension Fund Net Position</u></b>			
<b>Fiduciary Funds</b>			
<b>For the Year Ended September 30, 2012</b>			
	General		
	Employees	Police Officers	Firefighters
<b>Additions:</b>			
Contributions:			
Employer	\$ 33,878	\$ 286,843	\$ 261,573
Plan members	-	183,557	43,825
State	-	77,207	82,682
Total contributions	33,878	547,607	388,080
Investment income:			
Net increase (decrease) in fair value	170,719	779,177	408,610
Interest	-	161,074	82,956
Less: investment expense	-	(29,375)	(37,620)
Net investment income (loss)	170,719	910,876	453,946
Total additions	204,597	1,458,483	842,026
<b>Deductions:</b>			
Benefits/distributions	14,133	252,878	151,517
Total deductions	14,133	252,878	151,517
<b>Change in net position</b>	190,464	1,205,605	690,509
<b>Net position - beginning</b>	1,450,346	7,637,387	3,935,204
<b>Net position - ending</b>	\$ 1,640,810	\$ 8,842,992	\$ 4,625,713

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 11 - Retirement Plans (Continued):**

**E. Actuarial Assumptions**

The following is information as of the most recent actuarial valuation, October 1, 2012:

**City of Tavares Defined Pension Plans- Actuarial Assumptions**

	Police Officers	Firefighters
<b>Assumptions:</b>		
Investment earnings*	8%	8%
Salary increases*	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
<b>Actuarial Valuation:</b>		
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 as of the Plan.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 12 - Other Post Employment Benefits:**

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

The most recent actuarial report for the City's Retiree Continuation Insurance plan was prepared as of October 1, 2013. As of the valuation date, the unfunded actuarial accrued liability (UAAL) for benefits was \$306,456. The covered payroll was \$8,002,544, and the ratio of UAAL to covered payroll was 3.8%.

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2013 is as follows:

City of Tavares - Other Post Employment Obligations	
Net OPEB Obligation	
Annual Required Contribution (ARC)	\$ 22,753
Interest	3,631
Adjustments to ARC	(5,048)
Total AOC	21,336
Contributions made	-
Implicit rate subsidy	(4,467)
Change in NPO	16,869
Net OPEB obligation at September 30, 2013	\$ 107,651

**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, 2013, three retired employees and one spouse 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, 2013 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 2013:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of APC Contributed	Net OPEB Obligation
9/30/2013	\$ 22,753	19.6%	\$ 107,651
9/30/2012	22,753	19.6%	90,782
9/30/2011	11,533	0.0%	72,496

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 12 - Other Post Employment Benefits (Continued):**

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

	Active Employees	Retired Employees	Total
Annual Medical Premiums Paid	\$ 1,699,526	\$ 29,305	\$ 1,728,831
Retiree Premiums Paid	N/A	(29,305)	(29,305)
Implicit Rate Subsidy	(28,520)	28,520	-
Adjustment due to GASB 43/45	N/A	(1,047)	(1,047)
Total Medical Benefit Cost	<u>\$ 1,671,006</u>	<u>\$ 27,473</u>	<u>\$ 1,698,479</u>

**Funded Status and Funding Progress:** As of October 1, 2013, 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 \$306,456, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$306,456. The covered annual payroll for active participating employees was \$8,002,544 for fiscal year 2013, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.8%.

**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 4.5 percent for fiscal year 2014 and onward. 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 13 - 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 14 - Commitments and Contingencies:**

**Litigation**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2013. 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, 2013, 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2013

**Note 15 - Fund Balance:**

At September 30, 2013, the city's governmental fund balances were as follows:

Fund Balances	General	Fire Assessment Fund	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Inventory/prepays	\$ 5,878	\$ -	\$ -	\$ -	\$ -	\$ 5,878
Due from other funds	532,026	-	-	-	-	532,026
Non-expendable trust	-	-	-	-	29,295	29,295
<b>Spendable</b>						
Restricted for:						
Community development			103,676		-	103,676
Public safety	-	89,024	-	-	44,325	133,349
Capital projects	-	-	-	2,762,565	393,324	3,155,889
Culture recreation	-	-	-		40,686	40,686
Debt Service					100,035	100,035
Assigned	112,624	-	-	-	-	112,624
Unassigned	574,523	-	-	-	-	574,523
Total fund balances	<u>\$ 1,225,051</u>	<u>\$ 89,024</u>	<u>\$ 103,676</u>	<u>\$ 2,762,565</u>	<u>\$ 607,665</u>	<u>\$ 4,787,981</u>

**Note 16 - 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**EMPLOYEE PENSION PLANS**

September 30, 2013

**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
2012	\$ 369,080	\$ 369,080	100%	\$ 363,646	\$ 363,646	100%
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%

**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)
10/1/2012	\$ 7,571,815	\$ 9,666,701	\$ 2,094,886	78.3%	\$ 1,416,027	147.9%
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%

**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)
10/1/2012	\$ 3,894,725	\$ 5,150,831	\$ 1,256,106	75.6%	\$ 1,258,963	99.8%
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%

**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)
10/1/2013	\$ -	\$ 306,456	\$ 306,456	0.0%	\$ 8,002,544	3.8%
10/1/2012	-	241,200	241,200	0.0%	8,054,071	3.0%
10/1/2011	-	227,200	227,200	0.0%	7,987,875	2.8%

**Schedule of Contributions from the Employer and Other Contributing Entities**

Year Ended September 30	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
2012	\$ 22,753	0%	\$ 107,651
2012	21,787	0%	90,782
2011	11,533	0%	72,496

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **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).

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 1,659	\$ 1,659
Total revenues	<u>-</u>	<u>-</u>	<u>1,659</u>	<u>1,659</u>
<b>Expenditures:</b>				
Current:				
Culture and recreation	-	-	-	-
Capital Outlay	<u>-</u>	<u>7,402,560</u>	<u>2,427,508</u>	<u>4,975,052</u>
Total Expenditures	<u>-</u>	<u>7,402,560</u>	<u>2,427,508</u>	<u>4,975,052</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<u>-</u>	<u>(7,402,560)</u>	<u>(2,425,849)</u>	<u>4,976,711</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>-</u>	<u>2,706,000</u>	<u>2,848,500</u>	<u>(142,500)</u>
Total other financing sources and uses	<u>-</u>	<u>2,706,000</u>	<u>2,848,500</u>	<u>(142,500)</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>(4,696,560)</u>	<u>422,651</u>	<u>4,834,211</u>
<b>Fund Balances - Beginning</b>	<u>2,339,914</u>	<u>2,339,914</u>	<u>2,339,914</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 2,339,914</u>	<u>\$ (2,356,646)</u>	<u>\$ 2,762,565</u>	<u>\$ 4,834,211</u>

## 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.
- Infrastructure** Accounts for proceeds of Local Government Infrastructure Surtax.
- 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.

### Flag Pole Fund

### Debt Service Funds

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

### Permanent Funds

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

## 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.

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CITY OF TAVARES, FLORIDA

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2013

	Special Revenue					
	Police Training	Infrastructure Special Revenue	Police Services Impacts	Fire/Rescue Services Impacts	Police Forfeitures	Parks & Recreation Impacts
<b>Assets:</b>						
Cash and cash equivalents	\$ 3,028	\$ 1,195,083	\$ 22,822	\$ 12,381	\$ 15,455	\$ 6,045
Receivable from other governments	-	112,841	-	-	-	-
Total assets	<u>\$ 3,028</u>	<u>\$ 1,307,924</u>	<u>\$ 22,822</u>	<u>\$ 12,381</u>	<u>\$ 15,455</u>	<u>\$ 6,045</u>
<b>Liabilities and Fund Balances:</b>						
Accounts payable	\$ -	\$ 75	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	218,745	-	-	-	-
Unearned revenue	-	-	1,759	7,602	-	-
Matured bonds payable	-	608,000	-	-	-	-
Matured interest payable	-	87,780	-	-	-	-
Total liabilities	-	914,600	1,759	7,602	-	-
<b>Fund Balances:</b>						
Nonspendable	-	-	-	-	-	-
Restricted	3,028	393,324	21,063	4,779	15,455	6,045
Total fund balances	<u>3,028</u>	<u>393,324</u>	<u>21,063</u>	<u>4,779</u>	<u>15,455</u>	<u>6,045</u>
Total liabilities and fund balances	<u>\$ 3,028</u>	<u>\$ 1,307,924</u>	<u>\$ 22,822</u>	<u>\$ 12,381</u>	<u>\$ 15,455</u>	<u>\$ 6,045</u>

Special Revenue				Permanent Funds			
Grant Fund	Flag Pole Fund	Total Special Revenue Funds	Debt Service Fund	Playground Fund	Library Building Fund	Total Permanent Funds	Total Other Governmental Funds
\$ 230,090	\$ 21,447	\$ 1,506,351	\$ 100,035	\$ 32,692	\$ 22,752	\$ 55,444	\$ 1,661,830
636,845	-	749,686	-	-	-	-	749,686
<u>\$ 866,935</u>	<u>\$ 21,447</u>	<u>\$ 2,256,037</u>	<u>\$ 100,035</u>	<u>\$ 32,692</u>	<u>\$ 22,752</u>	<u>\$ 55,444</u>	<u>\$ 2,411,516</u>
\$ 659,105	\$ -	\$ 659,180	\$ -	\$ -	\$ -	\$ -	\$ 659,180
199,859	-	418,604	-	-	-	-	418,604
-	-	9,361	-	-	20,926	20,926	30,287
-	-	608,000	-	-	-	-	608,000
-	-	87,780	-	-	-	-	87,780
<u>858,964</u>	<u>-</u>	<u>1,782,925</u>	<u>-</u>	<u>-</u>	<u>20,926</u>	<u>20,926</u>	<u>1,803,851</u>
-	-	-	-	29,295	-	29,295	29,295
7,971	21,447	473,112	100,035	3,397	1,826	5,223	578,370
<u>7,971</u>	<u>21,447</u>	<u>473,112</u>	<u>100,035</u>	<u>32,692</u>	<u>1,826</u>	<u>34,518</u>	<u>607,665</u>
<u>\$ 866,935</u>	<u>\$ 21,447</u>	<u>\$ 2,256,037</u>	<u>\$ 100,035</u>	<u>\$ 32,692</u>	<u>\$ 22,752</u>	<u>\$ 55,444</u>	<u>\$ 2,411,516</u>

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

For the Year Ended September 30, 2013

	Special Revenue					
	Police Training	Infrastructure Special Revenue	Police Services Impacts	Fire/Rescue Services Impacts	Police Forfeitures	Parks & Recreation Impacts
<b>Revenues:</b>						
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	1,127,934	-	-	-	-
Charges for services	-	-	2,737	4,680	-	6,038
Fines and forfeitures	1,386	-	-	-	9,723	-
Investment income	-	1,054	37	1	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>1,386</b>	<b>1,128,988</b>	<b>2,774</b>	<b>4,681</b>	<b>9,723</b>	<b>6,038</b>
<b>Expenditures:</b>						
Current:						
Public safety	1,586	-	103,766	-	-	-
Physical environment	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	256,140	-	-	-	11,615
Debt Service:						
Principal	-	780,000	-	-	-	-
Interest and fiscal charges	-	305,282	-	-	-	-
<b>Total expenditures</b>	<b>1,586</b>	<b>1,341,422</b>	<b>103,766</b>	<b>-</b>	<b>-</b>	<b>11,615</b>
Excess (deficiency) of revenues over expenditures	(200)	(212,434)	(100,992)	4,681	9,723	(5,577)
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	112,382	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>112,382</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(200)</b>	<b>(100,052)</b>	<b>(100,992)</b>	<b>4,681</b>	<b>9,723</b>	<b>(5,577)</b>
<b>Fund Balances - Beginning</b>	<b>3,228</b>	<b>493,376</b>	<b>122,055</b>	<b>98</b>	<b>5,732</b>	<b>11,622</b>
<b>Fund Balances - Ending</b>	<b>\$ 3,028</b>	<b>\$ 393,324</b>	<b>\$ 21,063</b>	<b>\$ 4,779</b>	<b>\$ 15,455</b>	<b>\$ 6,045</b>

Special Revenue			Permanent Funds				
Grant Fund	Flag Pole Fund	Total Special Revenue Funds	Debt Service Fund	Playground Fund	Library Building Fund	Total Permanent Funds	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 263,442	\$ -	\$ -	\$ -	\$ 263,442
791,823	-	1,919,757	-	-	-	-	1,919,757
-	-	13,455	-	-	-	-	13,455
-	-	11,109	-	-	-	-	11,109
-	-	1,092	48	31	21	52	1,192
-	21,447	21,447	-	-	-	-	21,447
<u>791,823</u>	<u>21,447</u>	<u>1,966,860</u>	<u>263,490</u>	<u>31</u>	<u>21</u>	<u>52</u>	<u>2,230,402</u>
126,685	-	232,037	-	-	-	-	232,037
52,382	-	52,382	-	-	-	-	52,382
610,891	-	610,891	-	-	-	-	610,891
-	-	267,755	-	275	-	275	268,030
-	-	780,000	287,000	-	-	-	1,067,000
-	-	305,282	97,082	-	-	-	402,364
<u>789,958</u>	<u>-</u>	<u>2,248,347</u>	<u>384,082</u>	<u>275</u>	<u>-</u>	<u>275</u>	<u>2,632,704</u>
<u>1,865</u>	<u>21,447</u>	<u>(281,487)</u>	<u>(120,592)</u>	<u>(244)</u>	<u>21</u>	<u>(223)</u>	<u>(402,302)</u>
-	-	112,382	43,968	-	-	-	156,350
-	-	112,382	43,968	-	-	-	156,350
1,865	21,447	(169,105)	(76,624)	(244)	21	(223)	(245,952)
6,106	-	642,217	176,659	32,936	1,805	34,741	853,617
<u>\$ 7,971</u>	<u>\$ 21,447</u>	<u>\$ 473,112</u>	<u>\$ 100,035</u>	<u>\$ 32,692</u>	<u>\$ 1,826</u>	<u>\$ 34,518</u>	<u>\$ 607,665</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ 2,025	\$ 2,025	\$ 1,386	\$ (639)
Total revenues	<u>2,025</u>	<u>2,025</u>	<u>1,386</u>	<u>(639)</u>
<b>Expenditures:</b>				
Current:				
Public Safety	1,500	1,500	1,586	(86)
Total Expenditures	<u>1,500</u>	<u>1,500</u>	<u>1,586</u>	<u>(86)</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<u>525</u>	<u>525</u>	<u>(200)</u>	<u>(725)</u>
<b>Net Change in Fund Balances</b>	525	525	(200)	(725)
<b>Fund Balances - Beginning</b>	<u>3,228</u>	<u>3,228</u>	<u>3,228</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 3,753</u>	<u>\$ 3,753</u>	<u>\$ 3,028</u>	<u>\$ (725)</u>

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenues	\$ 1,063,028	\$ 1,063,028	\$ 1,127,934	\$ 64,906
Investment income	-	-	1,054	1,054
Total revenues	<u>1,063,028</u>	<u>1,063,028</u>	<u>1,128,988</u>	<u>65,960</u>
<b>Expenditures:</b>				
Current:				
Public Safety	79,394	79,394	-	79,394
Culture and recreation	35,680	261,990	256,140	5,850
Debt Service:				
Principal	780,000	780,000	780,000	-
Interest and other charges	305,284	305,284	305,282	2
Total Expenditures	<u>1,200,358</u>	<u>1,426,668</u>	<u>1,341,422</u>	<u>85,246</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<u>(137,330)</u>	<u>(363,640)</u>	<u>(212,434)</u>	<u>151,206</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	112,382	112,382	112,382	-
Total other financing sources and uses	<u>112,382</u>	<u>112,382</u>	<u>112,382</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(24,948)</u>	<u>(251,258)</u>	<u>(100,052)</u>	<u>151,206</u>
<b>Fund Balances - Beginning</b>	<u>493,376</u>	<u>493,376</u>	<u>493,376</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 468,428</u>	<u>\$ 242,118</u>	<u>\$ 393,324</u>	<u>\$ 151,206</u>

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Impact fees/special assessments	\$ -	\$ -	\$ 2,737	\$ 2,737
Investment income	-	-	37	37
Total revenues	<u>-</u>	<u>-</u>	<u>2,774</u>	<u>2,774</u>
<b>Expenditures:</b>				
Current:				
Public Safety	110,000	110,000	103,766	6,234
Total Expenditures	<u>110,000</u>	<u>110,000</u>	<u>103,766</u>	<u>6,234</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(110,000)</u>	<u>(110,000)</u>	<u>(100,992)</u>	<u>9,008</u>
<b>Net Change in Fund Balances</b>	(110,000)	(110,000)	(100,992)	9,008
<b>Fund Balances - Beginning</b>	<u>122,055</u>	<u>122,055</u>	<u>122,055</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 12,055</u>	<u>\$ 12,055</u>	<u>\$ 21,063</u>	<u>\$ 9,008</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, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Impact fees/special assessments	\$ -	\$ -	\$ 4,680	\$ 4,680
Investment income	-	-	1	1
Total revenues	-	-	4,681	4,681
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	-	4,681	4,681
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
<b>Net Change in Fund Balances</b>	-	-	4,681	4,681
<b>Fund Balances - Beginning</b>	98	98	98	-
<b>Fund Balances - Ending</b>	\$ 98	\$ 98	\$ 4,779	\$ 4,681

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ -	\$ -	\$ 9,723	\$ 9,723
Total revenues	<u>-</u>	<u>-</u>	<u>9,723</u>	<u>9,723</u>
<b>Expenditures:</b>				
Current:				
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>9,723</u>	<u>9,723</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>-</u>	<u>9,723</u>	<u>9,723</u>
<b>Fund Balances - Beginning</b>	<u>5,732</u>	<u>5,732</u>	<u>5,732</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 5,732</u>	<u>\$ 5,732</u>	<u>\$ 15,455</u>	<u>\$ 9,723</u>

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 6,038	\$ 6,038
Total revenues	-	-	6,038	6,038
<b>Expenditures:</b>				
Current:				
Culture and recreation	-	11,615	11,615	-
Total Expenditures	-	11,615	11,615	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	(11,615)	(5,577)	6,038
<b>Net Change in Fund Balances</b>	-	(11,615)	(5,577)	6,038
<b>Fund Balances - Beginning</b>	11,622	11,622	11,622	-
<b>Fund Balances - Ending</b>	\$ 11,622	\$ 7	\$ 6,045	\$ 6,038

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenues	\$ -	\$ 83,386	\$ 791,823	\$ 708,437
Total revenues	-	83,386	791,823	708,437
<b>Expenditures:</b>				
Current:				
Public Safety	-	30,886	126,685	(95,799)
Physical environment	-	52,500	52,382	118
Economic environment	-	-	610,891	(610,891)
Culture and recreation	-	-	-	-
Total Expenditures	-	83,386	789,958	(706,572)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	-	1,865	1,865
<b>Net Change in Fund Balances</b>	-	-	1,865	(1,865)
<b>Fund Balances - Beginning</b>	6,106	6,106	6,106	-
<b>Fund Balances - Ending</b>	\$ 6,106	\$ 6,106	\$ 7,971	\$ (1,865)

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes and special assessments	\$ -	\$ -	\$ 263,442	\$ 263,442
Investment income	-	-	48	48
Total revenues	<u>-</u>	<u>-</u>	<u>263,490</u>	<u>263,490</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	332,705	287,001	287,000	1
Interest and other charges	51,388	98,022	97,082	940
Total Expenditures	<u>384,093</u>	<u>385,023</u>	<u>384,082</u>	<u>941</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(384,093)</u>	<u>(385,023)</u>	<u>(120,592)</u>	<u>264,431</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	384,093	384,093	43,968	(340,125)
Total other financing sources and uses	<u>384,093</u>	<u>384,093</u>	<u>43,968</u>	<u>(340,125)</u>
<b>Net Change in Fund Balances</b>	-	(930)	(76,624)	(75,694)
<b>Fund Balances - Beginning</b>	<u>176,659</u>	<u>176,659</u>	<u>176,659</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 176,659</u>	<u>\$ 175,729</u>	<u>\$ 100,035</u>	<u>\$ (75,694)</u>

CITY OF TAVARES, FLORIDA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

September 30, 2013

	Pension Trust Funds			
	General Employees	Police Officers	Firefighters	Totals
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 224,931	\$ 157,667	\$ 382,598
Receivables:				
Employer contribution receivable	-	31,455	10,046	41,501
Total receivables	-	31,455	10,046	41,501
Investments, at fair value:				
Exchange traded funds	-	4,923,027	2,569,480	7,492,507
Other pension mutual funds	1,640,810	3,663,579	1,905,392	7,209,781
Total Investments	1,640,810	8,586,606	4,474,872	14,702,288
Total assets	1,640,810	8,842,992	4,642,585	15,126,387
<b>Liabilities:</b>				
Accounts payable	-	-	16,872	16,872
<b>Net Position:</b>				
Held in trust for pension benefits	\$ 1,640,810	\$ 8,842,992	\$ 4,625,713	\$ 15,109,515

CITY OF TAVARES, FLORIDA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

For the Year Ended September 30, 2013

	Pension Trust Funds			Total Pension Funds
	General Employees	Police Officers	Firefighters	
<b>Additions:</b>				
Contributions:				
Employer	\$ 33,878	\$ 286,843	\$ 261,573	\$ 582,294
Plan members	-	183,557	43,825	227,382
State	-	77,207	82,682	159,889
Total contributions	<u>33,878</u>	<u>547,607</u>	<u>388,080</u>	<u>969,565</u>
Investment income:				
Net increase (decrease) in fair value	170,719	779,177	408,610	1,358,506
Interest	-	161,074	82,956	244,030
Less: investment expense	-	(29,375)	(37,620)	(66,995)
Net investment income (loss)	<u>170,719</u>	<u>910,876</u>	<u>453,946</u>	<u>1,535,541</u>
Total additions	204,597	1,458,483	842,026	2,505,106
<b>Deductions:</b>				
Benefits/distributions	14,133	252,878	151,517	418,528
Total deductions	<u>14,133</u>	<u>252,878</u>	<u>151,517</u>	<u>418,528</u>
<b>Change in net position</b>	190,464	1,205,605	690,509	2,086,578
<b>Net position - beginning</b>	<u>1,450,346</u>	<u>7,637,387</u>	<u>3,935,204</u>	<u>13,022,937</u>
<b>Net position - ending</b>	<u>\$ 1,640,810</u>	<u>\$ 8,842,992</u>	<u>\$ 4,625,713</u>	<u>\$ 15,109,515</u>

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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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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 POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Invested in capital assets, net of related debt	\$ 3,681,282	\$ 3,279,495	\$ 4,669,978	\$ 8,934,374
Restricted	169,097	211,443	330,686	443,735
Unrestricted	3,782,568	7,371,687	8,664,451	6,680,746
Total government activities net assets	<u>7,632,947</u>	<u>10,862,625</u>	<u>\$13,665,115</u>	<u>\$ 16,058,855</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 12,711,881	\$ 12,899,590	\$12,008,907	\$ 12,217,957
Restricted	3,267,117	3,473,860	3,473,963	3,879,231
Unrestricted	5,117,288	6,842,877	10,534,843	11,606,473
Total business-type activities net assets	<u>21,096,286</u>	<u>23,216,327</u>	<u>\$26,017,713</u>	<u>\$ 27,703,661</u>
Primary government				
Invested in capital assets, net of related debt	\$ 16,393,163	\$ 16,179,085	\$16,678,885	\$ 21,152,331
Restricted	3,436,214	3,685,303	3,804,649	4,322,966
Unrestricted	8,899,856	14,214,564	19,199,294	18,287,219
Total primary government net assets	<u>\$ 28,729,233</u>	<u>\$ 34,078,952</u>	<u>\$39,682,828</u>	<u>\$ 43,762,516</u>

2008	2009	2010	2011	2012	2013
\$ 2,448,345	\$11,503,013	\$12,286,623	\$13,351,075	\$14,093,258	\$14,032,686
8,892,713	559,256	378,453	1,415,179	895,131	800,365
5,892,606	4,528,925	4,265,666	1,863,858	1,248,400	1,630,371
<u>\$17,233,664</u>	<u>\$16,591,194</u>	<u>\$16,930,742</u>	<u>\$16,630,112</u>	<u>\$16,236,789</u>	<u>\$16,463,422</u>
\$12,458,902	\$13,570,146	\$15,382,496	\$17,448,142	\$16,899,453	\$18,123,311
3,560,828	4,263,939	4,356,923	4,442,498	4,763,265	5,209,216
12,308,051	10,986,019	10,646,671	9,036,191	9,136,698	8,125,750
<u>\$28,327,781</u>	<u>\$28,820,104</u>	<u>\$30,386,090</u>	<u>\$30,926,831</u>	<u>\$30,799,416</u>	<u>\$31,458,277</u>
\$14,907,247	\$25,073,159	\$27,669,119	\$30,799,217	\$30,992,711	\$32,155,997
12,453,541	4,823,195	4,735,376	5,857,677	5,658,396	6,009,581
18,200,657	15,514,944	14,912,337	10,900,049	10,385,098	9,756,121
<u>\$45,561,445</u>	<u>\$45,411,298</u>	<u>\$47,316,832</u>	<u>\$47,556,943</u>	<u>\$47,036,205</u>	<u>\$47,921,699</u>

CITY OF TAVARES, FLORIDA

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

(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
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	\$ 2,684,092	\$ 2,652,168
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	5,607,008	5,644,118
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	1,973,762	1,932,092
Economic environment	**	**	**	**	474,877	421,225	374,745	418,481	298,767	1,187,237
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	2,174,924	2,252,677
Interest & other fiscal charges on long-term debt	343,173	297,182	282,156	260,827	536,771	565,029	527,574	486,329	506,674	462,912
Total governmental activities expenses	<u>8,105,740</u>	<u>8,089,099</u>	<u>9,524,033</u>	<u>11,129,430</u>	<u>12,931,517</u>	<u>14,260,699</u>	<u>13,112,140</u>	<u>13,208,048</u>	<u>13,245,227</u>	<u>14,131,204</u>
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	7,113,633	6,296,831
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	1,597,423	1,574,137
Stormwater	136,547	203,773	177,242	216,931	279,931	328,962	284,874	415,247	307,064	371,287
Seaplane Base	**	**	**	**	**	**	233,718	557,946	612,208	618,676
Total business-type activities expenses	<u>4,672,047</u>	<u>5,736,778</u>	<u>6,706,865</u>	<u>7,433,754</u>	<u>7,626,575</u>	<u>7,679,551</u>	<u>7,799,141</u>	<u>8,226,809</u>	<u>9,630,328</u>	<u>8,860,931</u>
Total primary government expenses	<u>\$ 12,777,787</u>	<u>\$ 13,825,877</u>	<u>\$ 16,230,898</u>	<u>\$ 18,563,184</u>	<u>\$ 20,558,092</u>	<u>\$ 21,940,250</u>	<u>\$ 20,911,281</u>	<u>\$ 21,434,857</u>	<u>\$ 22,875,555</u>	<u>\$ 22,992,135</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 422,354	\$ 99,011	\$ 59,457	\$ 75,698	\$ 65,955	\$ 58,531	\$ 27,751	\$ 41,094	\$ 52,894	\$ 196,043
Public safety	189,551	202,640	222,568	245,810	228,874	207,377	73,610	86,891	39,959	1,539,220
Physical environment	33,063	1,915,290	1,789,975	851,806	553,083	284,376	291,976	322,005	621,449	552,983
Economic environment	**	**	**	**	7,300	17,764	16,972	15,616	13,587	11,150
Culture & recreation	117,602	118,977	114,576	136,235	172,487	112,981	113,901	149,546	108,420	119,784
Operating grants and contributions	573,127	474,772	826,303	498,532	546,080	590,825	594,877	637,199	550,470	514,832
Capital grants and contributions	84,038	236,372	7,584	187,448	625,773	443,670	706,155	165,656	84,396	784,073
Total governmental activities program revenues	<u>1,419,735</u>	<u>3,047,062</u>	<u>3,020,463</u>	<u>1,995,529</u>	<u>2,199,552</u>	<u>1,715,524</u>	<u>1,825,242</u>	<u>1,418,007</u>	<u>1,471,175</u>	<u>3,718,085</u>

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	7,496,265	7,739,529
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	2,491,083	2,587,497
Stormwater	282,273	286,507	305,611	311,354	457,742	457,742	513,257	525,369	537,093	661,120
Operating grants and contributions	72,428	37,332	-	-	-	-	432,765	213,389	317,439	432,765
Capital grants and contributions	1,628,591	2,262,995	1,837,338	589,958	219,348	796,124	1,751,379	963	3,384	62,437
Total business-type activities program revenues	7,595,860	8,896,067	9,988,737	9,487,183	9,290,602	9,867,378	11,219,905	10,123,738	10,845,264	11,483,348
Total government program revenues	<u>\$ 9,015,595</u>	<u>\$ 11,943,129</u>	<u>\$ 13,009,200</u>	<u>\$ 11,482,712</u>	<u>\$ 11,490,154</u>	<u>\$ 11,582,902</u>	<u>\$ 13,045,147</u>	<u>\$ 11,541,745</u>	<u>\$ 12,316,439</u>	<u>\$ 15,201,433</u>
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)	\$ (11,774,052)	\$ (10,413,119)
Business-type activities	2,923,813	3,159,289	3,281,872	2,053,429	1,627,947	2,187,827	3,092,302	2,170,185	1,504,319	2,923,547
Total government net expense	<u>\$ (3,762,192)</u>	<u>\$ (1,882,748)</u>	<u>\$ (3,221,698)</u>	<u>\$ (7,080,472)</u>	<u>\$ (9,104,018)</u>	<u>\$ (10,357,348)</u>	<u>\$ (8,194,596)</u>	<u>\$ (9,619,856)</u>	<u>\$ (10,269,733)</u>	<u>\$ (7,489,572)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 2,112,025	\$ 2,358,043	\$ 2,781,480	\$ 3,877,431	\$ 4,880,954	\$ 5,387,080	\$ 5,048,491	\$ 4,599,218	\$ 4,230,824	\$ 3,747,879
Franchise and utility taxes	1,968,197	2,047,601	2,318,089	2,440,647	2,495,763	2,632,956	2,850,432	2,815,717	2,762,429	2,858,876
Intergovernmental	1,833,456	2,108,894	2,389,333	3,452,766	2,579,506	1,942,101	1,938,597	2,230,871	2,595,655	2,253,771
Investment earnings	181,566	474,267	776,602	638,466	167,850	167,850	180,471	130,853	116,209	167,118
Transfers	1,123,191	1,282,911	1,040,556	1,118,331	1,772,718	1,772,718	1,608,455	1,712,752	1,675,612	1,612,108
Total governmental activities	<u>7,218,435</u>	<u>8,271,716</u>	<u>9,306,060</u>	<u>11,527,641</u>	<u>11,896,791</u>	<u>11,902,705</u>	<u>11,626,446</u>	<u>11,489,411</u>	<u>11,380,729</u>	<u>10,639,752</u>
Business-type activities:										
Investment earnings	88,030	243,663	560,070	750,850	77,214	77,214	82,139	83,308	43,878	9,589
Transfers	(1,123,191)	(1,282,911)	(1,040,556)	(1,118,331)	(1,772,718)	(1,772,718)	(1,608,455)	(1,712,752)	(1,675,612)	(1,612,108)
Total business-type activities	<u>(1,035,161)</u>	<u>(1,039,248)</u>	<u>(480,486)</u>	<u>(367,481)</u>	<u>(1,695,504)</u>	<u>(1,695,504)</u>	<u>(1,526,316)</u>	<u>(1,629,444)</u>	<u>(1,631,734)</u>	<u>(1,602,519)</u>
Total government	<u>\$ 6,183,274</u>	<u>\$ 7,232,468</u>	<u>\$ 8,825,574</u>	<u>\$ 11,160,160</u>	<u>\$ 10,201,287</u>	<u>\$ 10,207,201</u>	<u>\$ 10,100,130</u>	<u>\$ 9,859,967</u>	<u>\$ 9,748,995</u>	<u>\$ 9,037,233</u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 532,430	\$ 3,229,679	\$ 2,802,490	\$ 2,393,740	\$ 1,164,826	\$ (642,470)	\$ 339,548	\$ (300,630)	\$ (393,323)	\$ 226,633
Business-type activities	1,888,652	2,120,041	2,801,386	1,685,948	(67,557)	492,323	1,565,986	540,741	(127,415)	1,321,028
Total government	<u>\$ 2,421,082</u>	<u>\$ 5,349,720</u>	<u>\$ 5,603,876</u>	<u>\$ 4,079,688</u>	<u>\$ 1,097,269</u>	<u>\$ (150,147)</u>	<u>\$ 1,905,534</u>	<u>\$ 240,111</u>	<u>\$ (520,738)</u>	<u>\$ 1,547,661</u>

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

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CITY OF TAVARES, FLORIDA

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**<sup>1</sup>  
**LAST TEN FISCAL YEARS**

(accrual basis of accounting)

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Franchise Fees</b>	<b>Utility Taxes</b>	<b>Total Taxes</b>
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	4,929,151	1,085,253	1,765,180	7,779,584
2011	4,454,615	1,032,831	1,782,883 <sup>1</sup>	7,270,330
2012	4,230,824	973,992	1,788,437	6,993,253
2013	4,083,096	946,590	1,912,286	6,941,972

<sup>1</sup> includes communication service tax

Note:

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

CITY OF TAVARES, FLORIDA

**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund				
Reserved	\$ 1,236	\$ 3,370	\$ 2,344	\$ 5,038
Unreserved	2,493,622	4,338,499	5,457,407	4,174,174
Total general fund	<u>\$ 2,494,858</u>	<u>\$ 4,341,869</u>	<u>\$ 5,459,751</u>	<u>\$ 4,179,212</u>
All other governmental funds				
Reserved	\$ 169,097	\$ 211,443	\$ 330,952	\$ 475,695
Unreserved, reported in:				
Special revenue funds	5,769,219	5,312,172	3,464,535	2,729,220
Capital projects funds	-	-	-	-
Permanent funds	1,099	1,708	1,927	2,382
Total all other governmental funds	<u>\$ 5,939,415</u>	<u>\$ 5,525,323</u>	<u>\$ 3,797,414</u>	<u>\$ 3,207,297</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					
2008	2009	2010	2011	2012	2013
\$ 4,765	\$ 4,291	n/a	n/a	n/a	n/a
1,979,038	2,256,860	n/a	n/a	n/a	n/a
<u>\$ 1,983,803</u>	<u>\$ 2,261,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0</u>

\$ 437,473	\$ 284,095	n/a	n/a	n/a	n/a
2,641,910	2,021,372	n/a	n/a	n/a	n/a
7,057,211	2,267,904	n/a	n/a	n/a	n/a
1,612	1,643	n/a	n/a	n/a	n/a
<u>\$ 10,138,206</u>	<u>\$ 4,575,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Post GASB 54 2011	Post GASB 54 2012	Post GASB 54 2013
\$ 265,386	\$ 318,063	\$ 537,904
-	-	-
244,875	-	112,624
1,475,998	1,056,371	574,523
<u>\$ 1,986,259</u>	<u>\$ 1,374,434</u>	<u>\$ 1,225,051</u>

\$ 29,570	\$ 29,570	\$ 567,199
3,174,339	3,205,475	3,533,635
147,081	-	-
-	-	112,624
-	-	574,523
<u>\$ 3,350,990</u>	<u>\$ 3,235,045</u>	<u>\$ 4,787,981</u>

CITY OF TAVARES, FLORIDA

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
<b><u>Revenues</u></b>				
Taxes	\$ 4,080,222	\$ 4,405,644	\$ 5,099,570	\$ 6,318,078
Licenses and permits	404,390	1,950,426	1,825,939	891,925
Intergovernmental	2,403,987	2,909,579	3,223,219	4,138,746
Charges for services	135,566	142,103	138,070	155,752
Fines and forfeitures	131,237	87,757	99,372	161,784
Impact fees/assessments	58,314	111,977	123,195	100,088
Investment earnings	118,898	264,883	557,181	518,555
Miscellaneous	95,731	209,384	219,421	119,911
Total Revenues	<u>7,428,345</u>	<u>10,081,753</u>	<u>11,285,967</u>	<u>12,404,839</u>
<b><u>Expenditures</u></b>				
General government	2,427,036	1,650,822	1,888,047	2,316,117
Public safety	3,109,638	3,619,397	3,795,701	5,485,795
Physical environment	1,679,720	2,091,293	4,530,057	4,343,445
Economic environment	-	-	-	-
Culture & recreation	1,283,160	1,566,123	1,989,992	2,198,206
Capital outlay <sup>1</sup>	-	-	-	-
Debt service				
Principal	683,246	706,927	757,993	789,436
Interest	343,173	297,183	282,156	260,827
Bond issuance costs	-	-	-	-
Total expenditures	<u>9,525,973</u>	<u>9,931,745</u>	<u>13,243,946</u>	<u>15,393,826</u>
Excess of revenues over (under) expenditures	(2,097,628)	150,008	(1,957,979)	(2,988,987)
<b><u>Other financing sources (uses)</u></b>				
Bond and note proceeds	108,816	-	-	-
Capital lease proceeds	-	-	307,396	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	1,376,822	1,560,494	1,320,699	1,389,418
Transfers out	(253,631)	(277,583)	(280,143)	(271,087)
Total other financing sources (uses)	<u>1,232,007</u>	<u>1,282,911</u>	<u>1,347,952</u>	<u>1,118,331</u>
Net change in fund balances	<u>\$ (865,621)</u>	<u>\$ 1,432,919</u>	<u>\$ (610,027)</u>	<u>\$ (1,870,656)</u>
Debt service as a percentage of noncapital expenditures	<u>12.08%</u>	<u>13.04%</u>	<u>12.03%</u>	<u>10.33%</u>

Note:

- Capital outlay is reported within expenditure activity line items for years after 2000.
- Debt service reported in fiscal year 2012 includes debt service payoff for refinancing the Wootton Park Capital Note 2008

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 7,376,717	\$ 8,020,036	\$ 7,898,924	\$ 7,414,935	\$ 6,993,253	\$ 6,245,728
594,510	326,424	333,696	366,984	666,440	\$ 598,465
3,751,360	2,976,596	3,239,627	3,033,726	3,230,521	\$ 1,609,419
178,355	142,389	102,559	154,119	122,236	\$ 257,096
71,279	61,931	61,092	94,049	47,633	\$ 31,236
183,554	150,285	26,864	-	-	\$ -
331,009	48,503	62,727	26,596	29,079	\$ 2,345
189,512	119,347	117,744	104,257	87,130	\$ 139,638
<u>12,676,296</u>	<u>11,845,511</u>	<u>11,843,233</u>	<u>11,194,666</u>	<u>11,176,292</u>	<u>8,883,927</u>
2,505,907	2,622,842	2,486,462	2,452,401	2,581,504	2,513,661
5,558,519	5,565,968	5,106,502	5,555,549	5,319,872	5,376,736
3,025,680	2,431,626	2,616,081	1,983,795	1,931,000	1,663,815
595,986	424,454	373,808	413,677	292,110	238,166
2,771,300	3,877,686	6,534,385	2,382,151	2,241,657	1,984,835
-	-	-	-	2,908,290	-
811,151	845,963	1,090,935	1,130,581	7,757,136	25,814
486,944	565,029	529,359	488,180	510,966	44,162
-	-	-	-	-	-
<u>15,755,487</u>	<u>16,333,568</u>	<u>18,737,532</u>	<u>14,406,334</u>	<u>23,542,535</u>	<u>11,847,189</u>
(3,079,191)	(4,488,057)	(6,894,299)	(3,211,668)	(12,366,243)	(2,963,262)
8,900,000	-	-	-	9,830,000	2,750,000
200,000	-	-	-	132,861	-
-	-	-	-	-	-
10,862,352	2,344,891	2,032,372	2,275,150	5,587,172	3,416,030
(9,432,322)	(572,173)	(423,917)	(562,398)	(3,911,560)	(3,352,151)
<u>10,530,030</u>	<u>1,772,718</u>	<u>1,608,455</u>	<u>1,712,752</u>	<u>11,638,473</u>	<u>2,813,879</u>
-	-	-	-	-	-
<u>\$ 7,450,839</u>	<u>\$ (2,715,339)</u>	<u>\$ (5,285,844)</u>	<u>\$ (1,498,916)</u>	<u>\$ (727,770)</u>	<u>\$ (149,383)</u>
<u>10.25%</u>	<u>10.42%</u>	<u>12.92%</u>	<u>15.80%</u>	<u>42.00%</u>	<u>1.60%</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
2004	325,441,836	**	0.00%	**	0.00%
2005	370,028,286	**	0.00%	**	0.00%
2006	405,357,877	**	0.00%	**	0.00%
2007	482,351,057	**	0.00%	**	0.00%
2008	678,290,795	**	0.00%	**	0.00%
2009	854,994,055	668,605,480	78.20%	186,388,575	21.80%
2010	762,026,655	563,727,801	73.98%	198,298,854	26.02%
2011	529,262,580	396,470,599	74.91%	132,791,981	25.09%
2012	584,854,801	443,574,246	68.14%	141,280,555	31.85%
2013	541,773,326	345,651,382	63.80%	196,121,944	36.20%

Note: \*\* Data not available

Personal Property	Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Value as a Percentage of Actual Value
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	**	**
14,306,696	218,101,130	869,300,751	5.4200	869,300,751	100.00%
48,090,004	151,848,139	810,116,659	6.2500	810,116,659	100.00%
147,000,980	182,149,234	676,263,560	6.9500	676,263,560	100.00%
40,657,563	294,384,352	625,512,364	6.8900	625,512,364	100.00%
50,236,989	363,111,842	592,010,315	5.9850	592,010,315	100.00%

CITY OF TAVARES, FLORIDA

**PROPERTY TAX RATES**  
**DIRECT AND OVERLAPPING <sup>1</sup> GOVERNMENTS**  
**LAST TEN FISCAL YEARS <sup>2</sup>**

Fiscal Year	Direct City of Tavares Operating Millage	City of Tavares Debt Service Millage	Overlapping Rates										Total Direct & Overlapping Rates
			Lake County				Lake County School District			Independent Hospital District	Lake County Water Authority	St. John's Water Management District	
			Operating Millage	Debt Service Millage	MSTU <sup>3</sup>	Total County Millage	Operating Millage	Capital Outlay	Total School Millage				
2004	5.4200	N/A	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	N/A	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	N/A	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	N/A	4.7410	0.2000	0.4651	5.4061	5.6980	2.0000	7.6980	1.0000	0.2130	0.4158	20.1529
2008	5.4200	N/A	4.6511	0.1101	0.4651	5.2263	5.7670	1.7500	7.5170	1.0000	0.2130	0.4158	19.7921
2009	6.2500	N/A	4.6511	0.1101	0.4651	5.2263	6.0320	1.5000	7.5320	1.0000	0.2130	0.4158	20.6371
2010	6.2500	N/A	4.7309	0.1101	0.3853	5.2263	5.2750	2.2480	7.5230	1.0000	0.2405	0.4158	20.6556
2011	6.9500	N/A	4.7309	0.1101	0.3853	5.2263	5.2750	2.2480	7.5230	1.0000	0.2405	0.4158	21.3556
2012	6.8900	N/A	4.7309	0.1101	0.8206	5.6616	5.8200	1.5740	7.3940	1.0000	0.2405	0.3313	21.5174
2013	5.9850	0.4612	4.7309	0.1900	1.2059	6.1268	5.8200	1.5000	7.3200	1.0000	0.2554	0.3313	21.4797

Source: Lake County Tax Collectors Office

Notes:

1. Overlapping rates are those of local and county governments that apply to property owners within the City of Tavares
2. Taxes levied for the fiscal year are based on the prior year taxable value.
3. Includes Stormwater MSTU & Fire MSTU

CITY OF TAVARES, FLORIDA

**PRINCIPAL PROPERTY TAXPAYERS**

September 30, 2013

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cole Ko Tavares FL LLC	\$ 5,349,540	1	0.99%			
Stag III Tavares LLC	4,352,584	2	0.81%			
BLC Tavares-GC LLC	3,087,942	3	0.57%			
84SLB1 LLC	3,009,797	4	0.56%			
Ehler Development Co. Inc	2,867,495	5	0.53%			
Tavares Associates Inc.	2,720,006	6	0.50%			
Lake Point Senior Apartment LP	2,678,181	7	0.50%			
Holiday LTD	2,471,979	8	0.46%			
Lake Warehouse & Storage Tavares LLC	2,410,678	9	0.45%			
Florida Hospital/Water Inc.	2,356,191	10	0.44%			
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>\$ 31,304,393</u>		<u>5.81%</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
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%
2012	4,309,780	4,094,398	95.00%	13,336	4,107,734	95.31%
2013	3,543,182	3,257,653	91.94%	129,198	3,386,851	95.59%

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 <sup>1</sup>	Per Capita
	Bonds Payable <sup>3</sup>	Notes Payable <sup>2</sup>	Capital Leases	Water Revenue Bonds	State Revolving Loan	Capital Lease			
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
2012	-	13,510,000	120,019	4,930,000	15,653,745	434,835	34,648,599	9.37%	2,465
2013	-	15,193,000	94,205	6,880,000	16,199,892	371,516	38,738,613	10.32%	2,756

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; Fire Station Note, Series 2002; Capital Improvement Revenue Note, Series 2008, Capital Improvement Revenue Refunding Note, Series 2012, General Obligation Series 2012, Capital Improvement Revenue Note Series 2013

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 <sup>1</sup> of Property	Per Capita
2004	-	-	-	**	-
2005	-	-	-	**	-
2006	-	-	-	**	-
2007	-	-	-	**	-
2008	-	-	-	**	-
2009	-	-	-	**	-
2010	-	-	-	**	-
2011	-	-	-	**	-
2012	3,300,000	45,285	3,254,715	**	232
2013	3,123,000	80,981	3,042,019	**	216

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.

CITY OF TAVARES, FLORIDA

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF SEPTEMBER 30, 2013**

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt:			
Lake County General Obligation Debt <sup>2</sup>	\$ 25,705,000	4%	\$ 1,028,200
Subtotal, overlapping debt			
Direct Debt:			
City of Tavares General Obligation Debt <sup>3</sup>	3,123,000	100%	3,123,000
Total direct and overlapping debt	<u>\$ 28,828,000</u>		<u>\$ 4,151,200</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 issued General Obligation Bonds in the prior fiscal year.

CITY OF TAVARES, FLORIDA

**LEGAL DEBT MARGIN**

September 30, 2013

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

**PLEDGED REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
**WATER AND SEWER FUND**

Fiscal Year	Water/Sewer Gross <sup>1</sup> Revenues	Less: Operating <sup>2</sup> Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2012	7,496,265	4,643,744	2,852,521	494,920	472,049	966,969	2.95
2013	7,708,984	3,879,985	3,828,999	684,114	405,769	1,089,883	3.51

Notes:

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

CITY OF TAVARES, FLORIDA

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (amounts expressed in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2004	10,938	**	**	38.6	13.93	33,729	4.3%
2005	11,340	**	**	39.1	13.51	35,524	3.5%
2006	12,552	324,394	25,844	54.3	12.97	37,618	3.5%
2007	**	**	**	**	**	38,901	**
2008	13,344	342,794	25,689	55.8	12.60	39,677	6.3%
2009	11,072	260,790	23,554	55.5	12.60	40,151	12.3%
2010	13,951	375,910	26,945	54.5	12.92	40,553	11.8%
2011	14,015	369,716	26,380	52.5	12.92	40,391	10.6%
2012	14,054	372,375	26,496	52.5	12.70	40,563	8.3%
2013	14,300	336,493	23,531	52.5	13.13	40,753	8.9%

Sources:

1. Per Capital 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, 2013 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	2013			2004 <sup>2</sup>		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake County Public Schools	4,353	1	12.44%	4,353	1	**
Florida Hospital Waterman <sup>3</sup>	1,500	2	4.29%	1,400	2	**
Lake County Sheriff's Office <sup>4</sup>	711	3	2.03%	624	4	**
Lake County Board of County Commissioners	737	4	2.11%	730	3	**
G&T Conveyor	550	5	1.57%	550	5	**
Cornerstone Hospice	468	6	1.34%	**	**	**
Lake County Clerk of Court <sup>4</sup>	208	7	0.59%	125	6	**
City of Tavares	165	8	0.47%	125	6	**
Winn-Dixie	110	9	0.31%	**	**	**
Lake County Tax Collector <sup>4</sup>	67	10	0.19%	58	8	**
	<hr/>			<hr/>		
	Total		8,869			25.34%

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 2013
4. Lake County Annual Budget FY 2013

CITY OF TAVARES, FLORIDA

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

<b>Function</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General government	29	28	27	29	31	30	29	28	28	28
Public safety										
Police										
Sworn officers	23	24	24	27	31	31	29	29	28	36
Non-sworn officers	-	-	-	-	-	-	1	1	1	-
Civilians <sup>1 &amp; 2</sup>	1	2	2	11	11	11	9	9	11	3
Fire										
Firefighters & officers	18	18	18	24	21	21	21	21	23	23
Civilians	-	-	1	1	1	1	1	1	1	1
Physical environment	7	7	7	7	14	11	8	7	7	7
Economic development	**	**	**	**	2	2	2	2	2	2
Marina/Prop Shop	**	**	**	**	**	**	**	6	6	5
Water/Wastewater/SW	24	25	32	33	31	31	29	30	29	30
Solid Waste <sup>3</sup>	5	7	8	8	8	8	7	7	6	7
Culture & recreation	25	26	28	29	28	27	25	25	24	24
<b>Total</b>	<b>132</b>	<b>137</b>	<b>147</b>	<b>169</b>	<b>177</b>	<b>172</b>	<b>161</b>	<b>164</b>	<b>164</b>	<b>165</b>

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 opened in 2007, then moved to Lake County Sheriff's Office in April 2013 .

CITY OF TAVARES, FLORIDA

**OPERATING INDICATORS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Public Safety</b>										
Auto accidents	**	**	489	398	584	626	557	541	541	604
Physical arrests	**	**	351	342	314	333	270	398	352	252
Criminal investigations conducted	**	**	820	354	293	374	259	180	185	262
Total calls for service	**	**	24,875	31,557	36,108	33,412	30,697	27,222	21,704	19,318
911 calls received <sup>1</sup>	**	**	**	3,689	4,108	4,063		3,912	3,751	1,830
Evidence processed (pieces)	**	**	**	**	**	**	**	**	**	**
Public education programs	**	**	**	**	100	**	**	**	**	**
Medical responses	**	**	**	1,193	2,057	2,046	2,214	2,131	3,009	3,325
<b>Community Development</b>										
Total permits issued	**	**	1,335	953	858	1,148	1,052	419	679	1,170
Construction inspections	**	**	7,549	2,003	2,495	1,650	2,611	1,642	2,081	3,634
<b>Physical Environment</b>										
Streets paved (miles)	**	**	117	117	118	118	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	3,597	3,597
<b>Culture and Recreation</b>										
Sports complex ball games & field rentals	**	**	**	680	655	765		496	509	518
Library cards issued	1,591	1,678	1,844	1,762	1,615	1,616	1,189	1,129	1,234	1,233
<b>Water/Wastewater</b>										
New connections	**	1,032	748	375	192	152	112	596	393	273
Number of customers	6,105	6,624	7,426	6,419	6,405	6,120	7,011	7,067	7,128	7,452
Water main breaks	**	**	10	0	9	3	8	10	4	12
Average daily consumption (millions of gallons)	**	**	3	3	3	3	3	3	3	3
Meter reads	6,724	7,269	8,141	8,380	8,753	8,876	8,909	8,982	9,088	9,277
<b>General Government</b>										
Employment applications received	**	**	521	829	729	698	829	626	357	292
Personnel actions processed	**	**	275	307	345	242	307	40	40	191
Legal notices published	106	138	184	87	44	27	68	39	39	34
Occupational licenses issued	733	752	772	861	938	956	976	995	956	965
Accidents and injuries reviewed	**	**	18	15	12	14	15	14	39	17
Land use amendments and rezonings	16	18	23	15	25	13	22	6	18	12
License/Permit reviews	**	**	**	1,650	876	579	1,218	722	1,150	1,150
Employees paid	**	**	224	203	198	185	203	207	200	208
Checks deposited	65,946	67,924	65,301	63,410	58,533	57,098	35,411	40,352	53,880	45,321
A/P Checks issued	4,445	5,427	5,457	6,602	5,812	5,653	5,397	5,235	5,419	5,174
Purchase orders/processed	3,779	3,453	3,549	4,272	4,827	4,390	4,388	4,254	4,400	4,461

Note:

\*\* Data not available

1. In Fiscal Year 2013, Communications were turned over to Lake County Sheriff's Office

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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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2014.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given those limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we consider the deficiency described in Appendix B of the accompanying report to management to be a significant deficiency.

**MCDIRMIT DAVIS & COMPANY, LLC**

934 N. MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803  
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

## **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*.

## **City's Response to Findings**

The City's response to the findings identified in our audit is included in this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

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

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 24, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor and City Council  
*City of Tavares, Florida*

**Report on Compliance for Each Major Federal Program and State Project**

We have audited the City of Tavares, Florida's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the Florida Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2013. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, rules, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

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## Opinion on Each Major Federal Program and State Project

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2013.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 24, 2014

CITY OF TAVARES, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

Year Ended September 30, 2013

Award type Grantor Pass-through grantor Program title	CFDA Number	Contract/ Grant Number	Expenditures
<b>Federal Awards</b>			
<b>United States Department of Housing and Urban Development</b>			
passed through Board of County Commissioners, Lake County, Florida Community Development Block Grant	14.218		\$ 52,382
<b>United States Department of Homeland Security</b>			
passed through Florida Division of Emergency Management Emergency Operations Center Grant	97.052	12-DS-8Z-06-45-01	95,800
<b>United States Department of Justice</b>			
passed through Florida Department of Law Enforcement Edward Byrne Memorial Justice Program Grant	16.738		1,000
Edward Byrne Memorial Justice Program Grant	16.738		4,886
<b>United States Federal Railroad Administration</b>			
Railroad Track Rehabilitation *	20.320	FR-LRI-0053-13-01-00	610,890
Total expenditures of federal awards			<u>\$ 764,958</u>
<b>State Awards</b>			
<b>State of Florida, Department of Environmental Protection</b>			
Wastewater Treatment Facility Construction (Phase I)	37.077	350910	\$ 110,089
Wastewater Treatment Facility Construction (Phase II) *	37.077	350920	1,839,417
Major Sewer Rehabilitation *	37.077	350900	895,006
Potable Water Distribution System Upgrade *	37.076	350930	1,655,068
<b>State of Florida, Department of Health</b>			
Florida EMS Matching Grant Program	64.003		25,000
<b>State of Florida, Department of Environmental Protection</b>			
passed through St. Johns River Water Management District Water Protection and Sustainability Program Trust Fund (WSPSTF)	37.066	WPSP Agreement #26571	211,958
Total expenditures of state financial assistance			<u>\$ 4,736,538</u>

\* Denotes a major program

CITY OF TAVARES, FLORIDA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

Year Ended September 30, 2013

**Note 1 - Basis of Presentation:**

The accompanying schedule of expenditures of federal awards and 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, 2013. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and 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 position 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. Therefore, amounts reported on the Schedule are based on expenditures incurred as of September 30, 2013, even if grant or loan was received subsequent to that date. Federal expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

CITY OF TAVARES, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**

Year Ended September 30, 2013

**Part A - Summary of Auditor's Results:**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Tavares, Florida (the City).
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs and state financial assistance projects are reported in the Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major federal award programs and state projects for the City expresses an unqualified opinion.
6. The programs tested as major programs included: Railroad Track Rehabilitation (CFDA 20.320) State of Florida, Department of Environmental Protection Wastewater Treatment Facility Construction (CSFA 37.077), Major Sewer Rehabilitation (CFSA 37.077), and Potable Water Distribution System Upgrade (CFSA 37.076).
7. The threshold used for distinguishing between Type A and B programs was \$100,000.
8. The City did not qualify as a low-risk auditee.

**Part B - Findings – Financial Statement Audit:**

None

**Part C - Findings and Questioned Costs – Major State Projects Audit:**

None

## 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, 2013, and have issued our report thereon dated June 24, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 24, 2014, 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. The status of management's response to our recommendations included in the preceding annual financial report is outlined in Appendix A to this report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City 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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TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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, 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)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.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.

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

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 24, 2014

CITY OF TAVARES, FLORIDA

**APPENDIX A - PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

Year Ended September 30, 2013

<u>No.</u>	<u>Prior year's recommendation</u>	<u>Observation is still relevant</u>	<u>Observation addressed or no longer relevant</u>
ML-12-01	Inventory		x

**APPENDIX B - SIGNIFICANT DEFICIENCY**

Year Ended September 30, 2013

**ML-13-01: Controls Over Utility Billing**

Criteria

Utility billing department is required to annually update approved rates and block multipliers in the utility billing system and then the update is reviewed by another person.

Condition

The block multipliers for commercial accounts with meter sizes one inch and greater were put into the system incorrectly. The block multipliers for  $\frac{3}{4}$  inch meters on commercial accounts were correct.

Cause

It appears that the employee correctly entered the rates for each block tier, but copied the  $\frac{3}{4}$  inch blocks for water consumption to each of the other meter sizes. The review by another employee did not take place.

Effect

The City overbilled certain commercial customers and utility revenue was overstated in fiscal years ending in 2011, 2012, and 2013. The Finance Department has made an adjustment to the beginning net position of the Water & Sewer Utility Fund at 10/1/12 in the amount of \$361,097. Also revenue in fiscal year ending 9/30/13 was reduced by \$209,256 for this overbilling.

Recommendation

We recommend that the City implement a formal review process to ensure all amounts entered into utility billing rate system are in agreement with approved rates. The Finance Department has already implemented a new policy which requires written documentation that review is performed.



June 24, 2014

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

Re: Management Letter  
City of Tavares

In response to Management Letter dated June 23, 2014 pursuant to the City of Tavares annual audit for fiscal year ended September 30, 2013, please find City of Tavares management responses to the Management Letter Audit Comments:

**Management Response to Current Year Management Comments:**

**ML-13-01 – Controls Over Utility Billing**

**Criteria**

Utility billing department is required to annually update approved rates and block multipliers in the utility billing system and then the update is reviewed by another person.

**Condition**

The block multipliers for commercial accounts with meter sizes one inch and greater were put into the system incorrectly. The block multipliers for ¾ inch meters on commercial accounts were correct.

**Cause**

It appears that the employee correctly entered the rates for each block tier, but copied the ¾ inch blocks for water consumption to each of the other meter sizes. The review by another employee did not take place.

**Effect**

The City overbilled certain commercial customers and utility revenue was overstated in fiscal years ending in 2011, 2012, and 2013. The Finance Department has made an adjustment to the beginning net position of the Water & Sewer Utility Fund at 10/1/12 in the amount of \$361,097. Also revenue in fiscal year ending 9/30/13 was reduced by \$209,256 for this overbilling.

**Recommendation**

We recommend that the City implement a formal review process to ensure all amounts entered into utility billing rate system are in agreement with approved rates. The Finance Department has already implemented a new policy which requires written documentation that review is performed.

**Management Response**

*Management agrees.* New procedures have been placed into effect that requires approval for all rate changes made to the utility billing system. The form requires signatures of the employee making the change, the employee providing the review of the changes, and the Finance Director. In addition screen shots of all changes made (before and after) for all customer classes must be attached to the form. A copy of the changes will be forwarded to the City's rate consultant for review.

Sincerely,

A handwritten signature in cursive script that reads "Lori Houghton". The signature is written in black ink and is positioned above the printed name and title.

Lori Houghton  
Finance Director

cc: John Drury, City Administrator

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Honorable Mayor and City Council  
*City of Tavares, Florida*

We have audited the financial statements of the City of Tavares, Florida (the City) for the year ended September 30, 2013 and have issued our report thereon dated June 24, 2014. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated June 25, 2012, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Tavares solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over utility billing in a separate letter dated June 24, 2014

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

**MCDIRMIT DAVIS & COMPANY, LLC**

934 N. MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803  
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Winter Springs is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the City changed accounting policies related to the adoption of Statement of Governmental Accounting Standards (GASB Statement) Nos. 62, 63, and 65. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

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

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to revenue recognition as described in Note 1.

## **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

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

### **Disagreements with Management**

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

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated June 24, 2014.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

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

Very truly yours,

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 24, 2014

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America's Seaplane City™

## CITY OF TAVARES

### Affidavit of Impact Fee Compliance

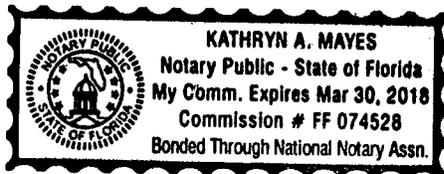
Impact fee collections, expenditures and accounting are provided for in separate accounting funds and comply with Florida Statute 163.31801.

Lori Houghton  
Finance Director

State of Florida

County of Lake

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of June, 2014, by Lori Houghton, Finance Director of the City of Tavares, on behalf of the City of Tavares. She is personally known to me.

  
Kathryn A. Mayes, Notary Public  
State of Florida

**CITY OF TAVARES**  
**Comprehensive Annual Financial Report**  
**FY 2012 - 2013**

