

City of Tavares, Florida
FISCAL YEAR 2013-2014
Comprehensive Annual Financial
Report



TAVARES IS LIFTING OFF!



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City of Tavares, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended September 30, 2014

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, 2014

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America's Seaplane City™

June 24, 2015

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 Generally Accepted Accounting Principles in the United States of America (GAAP) and that they be audited in accordance with Generally Accepted Auditing Standards in the United States of America by a firm of licensed Certified Public Accountants (CPAs). 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, 2014.

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, 2014. 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 14,582. 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. The City's downtown waterfront on Lake Dora provides an exceptional experience for residents and visitors alike. Probably the most unique aspect of this Florida city is its designation as "America's Seaplane City", accommodating thousands of seaplane visits each year. The City is the County Seat, housing the Lake County government campus, courthouse, criminal justice complex and jail. 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 hires the City Administrator who in turn hires 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. In fiscal year 2014, the City added the Pavilion on the Lake as a unique compliment to the downtown Waterfront Seaplane Base. The Pavilion on the Lake offers a unique and versatile venue for any occasion, including events, conferences, and weddings. The facility provides a tropically inspired waterfront oasis with two ballrooms, two meeting rooms, and more, with outstanding picturesque views of Lake Dora.

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 his 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, retirement, assisted living, professional, 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, manufacturer 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 increased by approximately 2.28% from the prior year. The increase in valuation was primarily due to improvements in the real estate markets as a result of improvements in the economic environment and decrease in mortgage foreclosure activity. The millage rate was increased from 5.985 mills in the prior fiscal year to 6.453.1 mills in fiscal year 2014. This increase was due to additional expenditure requirements to maintain service levels to residents.

The unemployment rate for Lake County at September 30, 2014 was reported at 6.3%. This compares to the state unemployment rate of 5.9% 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, 2014 indicating a constant level of growth in the creation of new businesses.

The total number of new construction permits increased substantially in 2014 as the City issued 144 permits for new homes compared to 125 in the prior year. In addition the City issued 5 permits for new commercial construction compared to 6 permits in the prior year. Impact fee waivers were discontinued effective June 30, 2014. The City provides impact fee waivers on a case by case basis for new manufacturing related to the seaplane industry.

Local economic indicators such as those described indicate a continued and steady growth for continued 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

Spendable 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 finalizing the Pavilion Project which is an over the Lake, 8000 square feet Pavilion facility that serves as a conference center, convention center, special event center, training facility, and wedding facility. The facility is 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 facility provides an exceptional enhancement to the Tavares Seaplane Base (FA1) and will provide additional economic incentive to the downtown waterfront. The project was funded through a bank loan and an internal loan.

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 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.

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 fiscal year 2014, and will be completed during the first months of fiscal year 2015. 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.

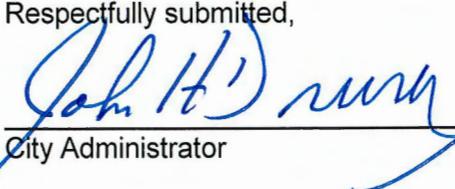
Ongoing initiatives to stimulate downtown revitalization include a campaign to showcase Tavares as the premiere waterfront Central Florida Capital City for special events. The natural historical waterfront and designated entertainment district provides an ideal setting for various water oriented community 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. An air show for the Planes-Trains-Barbeque event and fireworks for the Central Florida Dragon Boat Festival has added a unique experience for these events. 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. During fiscal year 2013, the City secured low-interest State Revolving Loan Funds (SRF) for the improvements, and construction began in June 2013 with completion scheduled for fiscal year 2015.

The City's gateway roadways, Alfred Street and Caroline Street, are receiving a complete make-over which includes one-way pair realignment, sidewalks, and lighting. The project is funded by Lake County, and is expected to be completed early 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, 2014

MAYOR

Robert Wolfe

CITY COUNCIL

Lori Pfister, Vice Mayor

Robert Speaks

Kirby Smith

Norman Hope

CITY ADMINISTRATOR

John Drury

CITY CLERK

Nancy Barnett

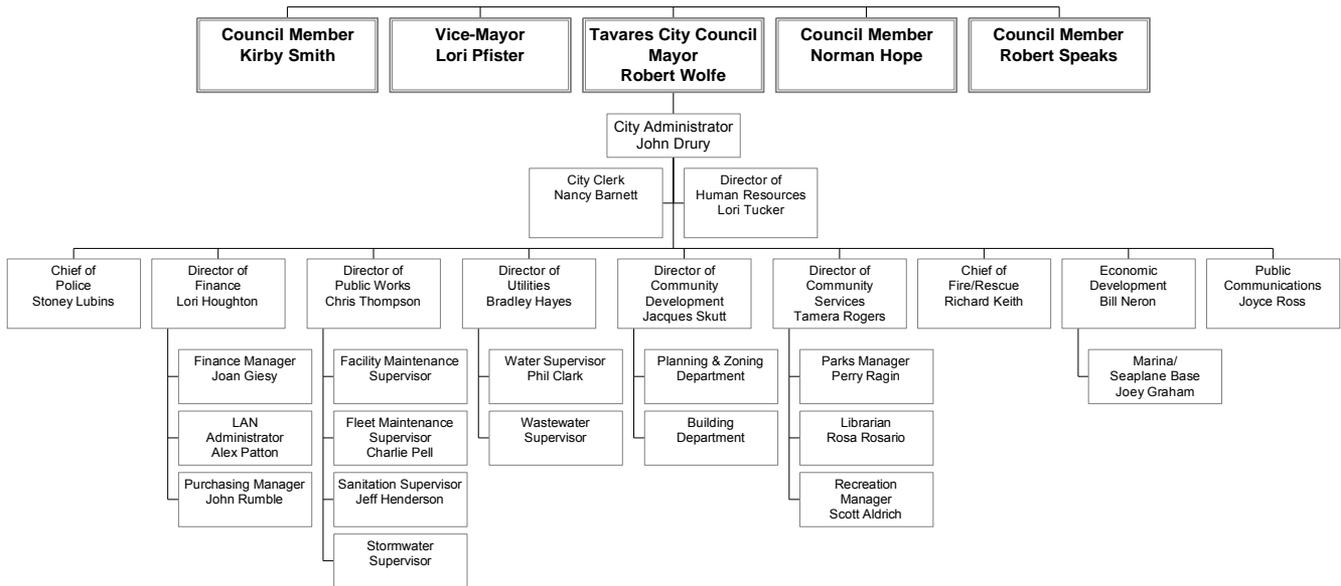
CITY ATTORNEY

Robert Q. Williams

FINANCE DIRECTOR

Lori Houghton

City of Tavares Organizational Chart





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FINANCIAL SECTION

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, 2014, 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, 2014, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, fire assessment fund, greater downtown TIF district fund, and grant special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MCDIRMIT DAVIS & COMPANY, LLC

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 67 through 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods 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 Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules of budgetary comparison information 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, 2015, 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, 2015

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, 2014. 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 \$51,597,551 (net position). Of this amount, \$9,485,867 (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 \$3,675,852.
- As of the close of the current fiscal year, the City of Tavares governmental funds reported combined ending fund balances of \$806,623, a decrease of \$3,981,358 in comparison with the prior year.
- The General Fund experienced a decrease of \$38,870 in fund balance for the fiscal year and ended the year with a fund balance of \$1,186,181. Only \$645,630, or 54%, in unassigned and available for spending at the City's discretion.
- The Capital Project Fund experienced a decrease of \$4,365,778 in fund balance for the fiscal year; which was attributed to capital outlays for the Pavilion Project.

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 sixteen (16) 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, the greater downtown TIF special revenue fund, and the grant special revenue fund to demonstrate compliance with this budget at page 20 – 23. Budgetary comparison schedules have been provided for the Capital Projects Fund and the nonmajor funds at pages 74 and pages 79-86.

The basic governmental fund financial statements can be found on pages 17 - 19 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 24 - 27 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 28 - 29 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 30 - 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 starting 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 75 - 86.

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 \$51,597,551 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Current and other assets	\$ 3,489,691	\$ 7,961,351	\$ 19,674,428	\$ 16,086,573	\$ 23,164,119	\$ 24,047,924
Capital assets	31,660,201	27,309,343	51,708,373	41,530,759	83,368,574	68,840,102
Total assets	<u>35,149,892</u>	<u>35,270,694</u>	<u>71,382,801</u>	<u>57,617,332</u>	<u>106,532,693</u>	<u>92,888,026</u>
Deferred outflows of resources:						
Deferred charge on refunding	-	-	41,212	43,960	41,212	43,960
Liabilities:						
Long-term liabilities outstanding	15,374,322	16,042,313	33,249,041	23,471,196	48,623,363	39,513,509
Other liabilities	2,272,462	2,764,959	4,080,529	2,731,819	6,352,991	5,496,778
Total liabilities	<u>17,646,784</u>	<u>18,807,272</u>	<u>37,329,570</u>	<u>26,203,015</u>	<u>54,976,354</u>	<u>45,010,287</u>
Net Position:						
Net investment in capital assets	16,498,925	14,032,686	18,478,622	18,123,311	34,977,547	32,155,997
Restricted	1,223,655	800,365	5,910,482	5,209,216	7,134,137	6,009,581
Unrestricted	(219,472)	1,630,371	9,705,339	8,125,750	9,485,867	9,756,121
Total net position	<u>\$ 17,503,108</u>	<u>\$ 16,463,422</u>	<u>\$ 34,094,443</u>	<u>\$ 31,458,277</u>	<u>\$ 51,597,551</u>	<u>\$ 47,921,699</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 (13%) represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position of \$9,485,867 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 \$3,675,852 during the current fiscal year for current activities. 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**

	Governmental Activities		Business Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues -						
Charges for services	\$ 2,658,199	\$ 2,419,180	\$ 12,633,151	\$ 11,289,276	\$ 15,291,350	\$ 13,708,456
Operating grants and contributions	639,973	514,832	191,588	432,765	831,561	947,597
Capital grants and contributions	1,710,293	784,073	473,635	62,437	2,183,928	846,510
General revenues -						
Property taxes	4,096,418	3,747,879	-	-	4,096,418	3,747,879
Franchise and utility taxes	3,005,572	2,858,876	-	-	3,005,572	2,858,876
Intergovernmental	2,388,459	2,253,771	-	-	2,388,459	2,253,771
Investment income and miscellaneous	221,333	167,118	178,373	9,589	399,706	176,707
Total revenues	14,720,247	12,745,729	13,476,747	11,794,067	28,196,994	24,539,796
Expenses:						
General government	2,791,383	2,652,168	-	-	2,791,383	2,652,168
Public safety	5,731,360	5,644,118	-	-	5,731,360	5,644,118
Physical environment	2,266,877	1,932,092	-	-	2,266,877	1,932,092
Economic environment	1,711,442	1,187,237	-	-	1,711,442	1,187,237
Culture and recreation	2,394,261	2,252,677	-	-	2,394,261	2,252,677
Interest on long-term debt	416,484	462,912	-	-	416,484	462,912
Water and sewer	-	-	6,356,680	6,296,831	6,356,680	6,296,831
Solid waste	-	-	1,742,068	1,574,137	1,742,068	1,574,137
Stormwater	-	-	397,368	371,287	397,368	371,287
Seaplane base	-	-	713,219	618,676	713,219	618,676
Total expenses	15,311,807	14,131,204	9,209,335	8,860,931	24,521,142	22,992,135
Increase (Decrease) in Net Position Before Transfers	(591,560)	(1,385,475)	4,267,412	2,933,136	3,675,852	1,547,661
Transfers	1,631,246	1,612,108	(1,631,246)	(1,612,108)	-	-
Increase in Net Position	1,039,686	226,633	2,636,166	1,321,028	3,675,852	1,547,661
Net Position - Beginning	16,463,422	16,236,789	31,458,277	30,137,249	47,921,699	46,374,038
Net Position - Ending	\$ 17,503,108	\$ 16,463,422	\$ 34,094,443	\$ 31,458,277	\$ 51,597,551	\$ 47,921,699

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Governmental activities - Governmental activities increased the City of Tavares's net position by \$1,039,686. Key elements of this increase are as follows:

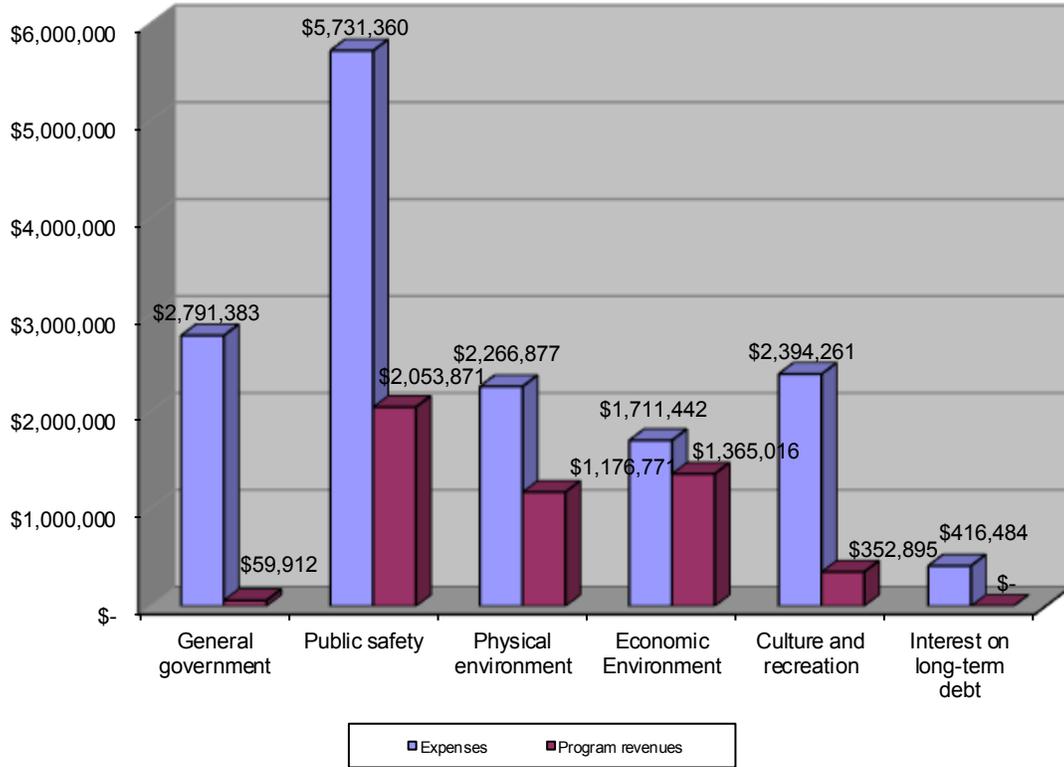
- Property taxes increased by \$348,539 (9%) during the year.
- Capital grants increased by \$926,220 primarily because of grant funding from the Federal Railroad Administration (FRA) for upgrades and rehabilitation of railroad serving Lake and Orange Counties and funding from the Department of Homeland Security for the construction of a new Emergency Operations Center.
- Expenses increased across the various functional activities by \$1,180,603 (8%) for expenses related to upgrades to railroad mentioned above.

Business-type activities - Overall, net position increased by \$2,636,166 (9%) from business-type activities during the current year. Unrestricted net position of the business-type activities at the end of the year amounted to \$9,705,339. 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:

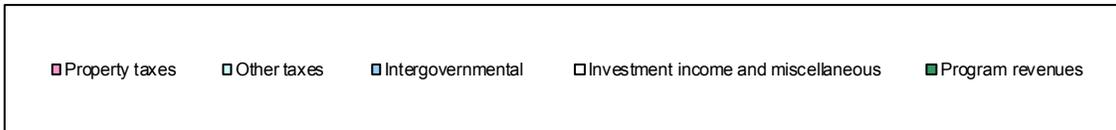
- Total revenues for all business-type activities increased by \$1,682,680 (14%), primarily in charges for services in all business-type funds.
- Revenues from impact fee collections increased by \$411,198 due to the increased construction activity within the city.
- Operating expenses of the water and sewer fund increased over the prior fiscal year by \$59,849 (<1%).

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Expenses and Program Revenues - Governmental Activities

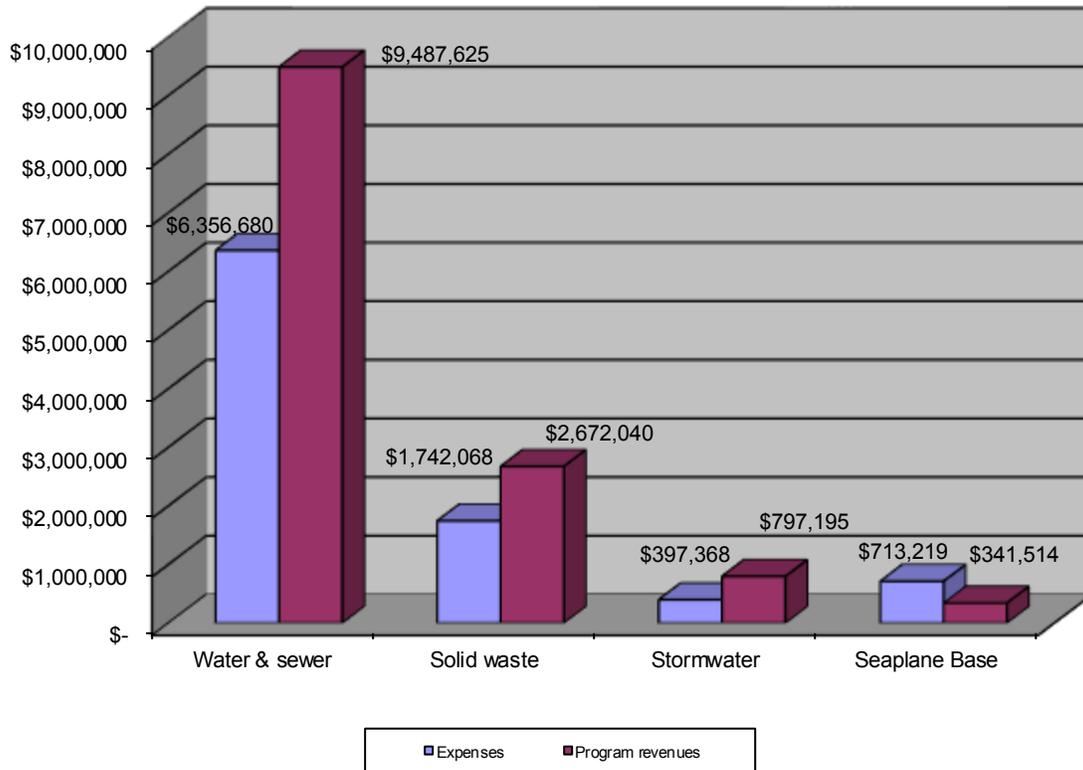


Revenues by Source - Governmental Activities

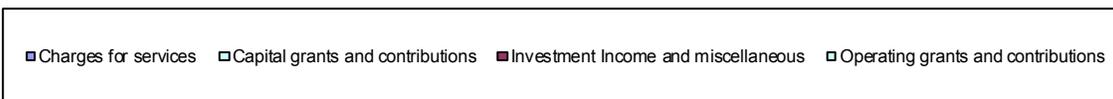


MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 \$806,623, a decrease of \$3,981,358 in comparison with the prior year. Unassigned fund balance is negative, \$(957,583) due to spending in the capital projects fund for the pavilion project. 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 (\$100,170), 2) to fund Community Redevelopment initiatives (\$25,209), 3) to fund public safety expansion projects (\$368,348), 4) to fund various capital projects (\$589,844), and 5) assigned to subsequent year expenditures. In addition, fund balance includes nonspendable amounts (\$540,551), and non-expendable trusts (\$29,295). The majority of the non spendable balance, \$532,026, relates to long term advances to other funds.

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 \$645,630 while total fund balance was \$1,186,181. 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 9% of that same amount.

The fund balance of the general fund decreased by \$38,870 during the current fiscal year. Key factors attributing to the decrease are as follows:

- Expenditures of the current year exceeded revenues.

The fire assessment special revenue fund has a total fund balance of \$256,476 which is restricted to public safety expenditures. The fund balance of the Greater Downtown TIF District was \$25,209, which is a decrease of \$78,467.

The fund balance in the general government capital projects fund decreased by \$4,365,778. This decrease is due to expenditures for the Wooton Park Expansion Project and the Pavilion Project.

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 \$9,705,339. Total net position for proprietary funds increased by \$2,636,166 (9%). 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 \$347,305 while original estimated revenues decreased by \$19,159. Revenue estimates decreased in intergovernmental revenue, thus estimated appropriations from fund balance increased by \$225,422 from original estimates. Increase in budgeted expenditures was primarily in the public safety function. During the year, actual revenues were more than budgetary estimates by \$133,377, and expenditures were less than budgetary estimates by \$85,746. The reasons for the increase in appropriations can be briefly summarized as follows:

- \$360,828 in increases was anticipated for public safety activities due to additional overtime requirements and pension contributions.

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, 2014 amounts to \$83,368,574 (net of accumulated depreciation/amortized costs). This investment in capital assets includes land, intangible assets, buildings, improvements/infrastructure, and machinery and equipment. An increase 21% 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, 2014. 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)**

	Governmental		Business Type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 5,213,405	\$ 5,213,405	\$ 438,364	\$ 388,346	\$ 5,651,769	\$ 5,601,751
Intangible assets	32,481	56,237	35,436	15,584	67,917	71,821
Buildings & improvements	3,576,793	3,710,802	26,673,344	27,805,821	30,250,137	31,516,623
Improvements/infrastructure	13,204,762	13,735,435	-	-	13,204,762	13,735,435
Machinery and equipment	1,102,864	604,358	1,754,576	1,415,504	2,857,440	2,019,862
Construction in progress	8,529,896	3,989,106	22,806,653	11,905,504	31,336,549	15,894,610
Total	\$ 31,660,201	\$ 27,309,343	\$ 51,708,373	\$ 41,530,759	\$ 83,368,574	\$ 68,840,102

Additional information on the City of Tavares's capital assets can be found in Note 6 on pages 44-45 of this report.

Long-Term Debt - At the end of the current fiscal year, the City of Tavares had total debt outstanding of \$47,737,410. This debt includes bonds payable, notes payable and capital leases payable. Additional information on long-term debt can be found in Note 7 on pages 46-51 of this report.

**City of Tavares
Long-Term Debt**

	Governmental		Business Type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Bonds payable	\$ -	\$ -	\$ 6,665,000	\$ 6,880,000	\$ 6,665,000	\$ 6,880,000
Notes payable	14,439,750	15,193,000	26,107,432	16,199,892	40,547,182	31,392,892
Capital lease obligations	67,909	94,205	457,319	371,516	525,228	465,721
	<u>\$ 14,507,659</u>	<u>\$ 15,287,205</u>	<u>\$ 33,229,751</u>	<u>\$ 23,451,408</u>	<u>\$ 47,737,410</u>	<u>\$ 38,738,613</u>

The City of Tavares's total debt increased by \$8,998,797 (23%) during the current fiscal year, primarily because of the following:

- Issuance of capital improvement note for \$730,631 for capital equipment.
- Draws of \$10,144,387 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, 2014 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 2014 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 were terminated 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.



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BASIC FINANCIAL STATEMENTS

CITY OF TAVARES, FLORIDA

STATEMENT OF NET POSITION

September 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 4,580,506	\$ 9,529,814	\$ 14,110,320
Receivables, net	538,907	1,352,941	1,891,848
Inventories	6,025	61,210	67,235
Internal balances	(2,801,578)	2,801,578	-
Due from other governments	696,422	-	696,422
Prepaid costs	2,500	-	2,500
Restricted assets:			
Cash and cash equivalents	213	5,910,482	5,910,695
Special assessments receivable	-	18,403	18,403
Pension assets	466,696	-	466,696
Capital assets not being depreciated	13,743,301	23,245,017	36,988,318
Capital assets being depreciated, net of accumulated depreciation	17,916,900	28,463,356	46,380,256
Total assets	<u>35,149,892</u>	<u>71,382,801</u>	<u>106,532,693</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	-	41,212	41,212
Liabilities:			
Accounts payable and other current liabilities	1,356,828	3,189,567	4,546,395
Matured bonds and interest payable	711,724	13,727	725,451
Accrued interest payable	56,090	339,126	395,216
Unearned revenues	144,320	-	144,320
Customer deposits payable	3,500	538,109	541,609
Noncurrent liabilities:			
Due within one year	1,647,266	1,218,433	2,865,699
Due in more than one year	13,727,056	32,030,608	45,757,664
Total liabilities	<u>17,646,784</u>	<u>37,329,570</u>	<u>54,976,354</u>
Net Position:			
Net investment in capital assets	16,498,925	18,478,622	34,977,547
Restricted for:			
Capital projects	589,844	5,910,482	6,500,326
Community redevelopment	25,209	-	25,209
Culture and recreation	110,789	-	110,789
Public safety	368,348	-	368,348
Debt Service	100,170	-	100,170
Perpetual care-nonexpendable	29,295	-	29,295
Unrestricted	(219,472)	9,705,339	9,485,867
Total Net Position	<u>\$ 17,503,108</u>	<u>\$ 34,094,443</u>	<u>\$ 51,597,551</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, 2014

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	\$ 2,791,383	\$ 59,912	\$ -	\$ -	\$ (2,731,471)	\$ -	\$ (2,731,471)
Public safety	5,731,360	1,628,198	66,080	359,593	(3,677,489)	-	(3,677,489)
Physical environment	2,266,877	775,432	378,075	23,264	(1,090,106)	-	(1,090,106)
Economic environment	1,711,442	6,525	40,055	1,318,436	(346,426)	-	(346,426)
Culture and recreation	2,394,261	188,132	155,763	9,000	(2,041,366)	-	(2,041,366)
Interest on long-term debt	416,484	-	-	-	(416,484)	-	(416,484)
Total governmental activities	<u>15,311,807</u>	<u>2,658,199</u>	<u>639,973</u>	<u>1,710,293</u>	<u>(10,303,342)</u>	<u>-</u>	<u>(10,303,342)</u>
Business-type activities:							
Water and sewer	6,356,680	8,822,402	191,588	473,635	-	3,130,945	3,130,945
Solid Waste	1,742,068	2,672,040	-	-	-	929,972	929,972
Stormwater	397,368	797,195	-	-	-	399,827	399,827
Seaplane Base	713,219	341,514	-	-	-	(371,705)	(371,705)
Total business-type activities	<u>9,209,335</u>	<u>12,633,151</u>	<u>191,588</u>	<u>473,635</u>	<u>-</u>	<u>4,089,039</u>	<u>4,089,039</u>
Total primary government	<u>\$ 24,521,142</u>	<u>\$ 15,291,350</u>	<u>\$ 831,561</u>	<u>\$ 2,183,928</u>	<u>(10,303,342)</u>	<u>4,089,039</u>	<u>(6,214,303)</u>
General revenues:							
Taxes:							
Property taxes					4,096,418	-	4,096,418
Franchise fees and utility taxes					3,005,572	-	3,005,572
Intergovernmental-unrestricted					2,388,459	-	2,388,459
Investment income and miscellaneous					221,333	178,373	399,706
Transfers					1,631,246	(1,631,246)	-
Total general revenues, special items, and transfers					<u>11,343,028</u>	<u>(1,452,873)</u>	<u>9,890,155</u>
Change in net position					1,039,686	2,636,166	3,675,852
Net position - beginning					16,463,422	31,458,277	47,921,699
Net position - ending					<u>\$ 17,503,108</u>	<u>\$ 34,094,443</u>	<u>\$ 51,597,551</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, 2014

	General	Fire Assessment Fund	Greater Downtown TIF District	Capital Projects Fund	Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash and cash equivalents	\$ 1,133,220	\$ 112,498	\$ 25,254	\$ 1,479,251	\$ 7,191	\$ 1,823,092	\$ 4,580,506
Receivables, net	318,772	220,135	-	-	-	-	538,907
Inventories, at cost	6,025	-	-	-	-	-	6,025
Due from other funds	608,979	-	-	142,535	-	-	751,514
Due from other governments	203,597	-	-	-	371,973	120,852	696,422
Prepaid expenses	2,500	-	-	-	-	-	2,500
Restricted assets:							
Cash and cash equivalents	213	-	-	-	-	-	213
Total assets	\$ 2,273,306	\$ 332,633	\$ 25,254	\$ 1,621,786	\$ 379,164	\$ 1,943,944	\$ 6,576,087
Liabilities and Fund Balances:							
Accounts payable	\$ 260,639	\$ -	\$ 45	\$ 439,999	\$ 71,446	\$ 30,933	\$ 803,062
Accrued liabilities	549,043	-	-	-	-	4,723	553,766
Due to other funds	182,535	76,157	-	2,785,000	249,859	259,541	3,553,092
Customer deposits	-	-	-	-	-	3,500	3,500
Unearned revenue	94,908	-	-	-	-	49,412	144,320
Matured bonds payable	-	-	-	-	-	653,617	653,617
Matured interest payable	-	-	-	-	-	58,107	58,107
Total liabilities	1,087,125	76,157	45	3,224,999	321,305	1,059,833	5,769,464
Fund balances:							
Nonspendable	540,551	-	-	-	-	29,295	569,846
Restricted	-	256,476	25,209	-	57,859	854,816	1,194,360
Unassigned	645,630	-	-	(1,603,213)	-	-	(957,583)
Total fund balances	1,186,181	256,476	25,209	(1,603,213)	57,859	884,111	806,623
Total liabilities and fund balance	\$ 2,273,306	\$ 332,633	\$ 25,254	\$ 1,621,786	\$ 379,164	\$ 1,943,944	

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	31,660,201
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	(56,090)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(15,374,322)
Net position of governmental activities	\$ 17,503,108

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

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

For the Year Ended September 30, 2014

	General	Fire Assessment Fund	Greater Downtown TIF District	Capital Projects Fund	Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 6,713,221	\$ -	\$ 124,582	\$ -	\$ -	\$ 264,187	\$ 7,101,990
Licenses and permits	810,072	-	-	-	-	-	810,072
Intergovernmental revenues	1,725,751	-	15,055	-	1,792,168	1,205,751	4,738,725
Charges for services	118,149	1,520,026	6,525	-	-	162,754	1,807,454
Fines and forfeitures	38,348	-	-	-	-	2,325	40,673
Investment income	4,132	-	68	475	-	2,615	7,290
Miscellaneous	197,747	-	-	-	-	16,296	214,043
Total revenues	9,607,420	1,520,026	146,230	475	1,792,168	1,653,928	14,720,247
Expenditures:							
Current:							
General government	2,686,306	-	-	-	-	-	2,686,306
Public safety	5,894,161	-	-	-	369,436	9,028	6,272,625
Physical environment	1,691,069	-	-	-	49,408	3,119	1,743,596
Economic environment	303,355	-	84,709	-	1,318,436	-	1,706,500
Culture and recreation	2,160,348	-	-	2,700	5,000	119,044	2,287,092
Debt Service:							
Principal	26,296	-	-	-	-	1,218,210	1,244,506
Interest and fiscal charges	20,017	-	-	-	-	398,662	418,679
Capital outlay	-	-	-	4,438,507	-	-	4,438,507
Total Expenditures	12,781,552	-	84,709	4,441,207	1,742,280	1,748,063	20,797,811
Excess (Deficiency) of Revenues Over Expenditures	(3,174,132)	1,520,026	61,521	(4,440,732)	49,888	(94,135)	(6,077,564)
Other Financing Sources (Uses):							
Capital leases	464,960	-	-	-	-	-	464,960
Transfers in	3,382,218	-	-	74,954	-	378,552	3,835,724
Transfers out	(711,916)	(1,352,574)	(139,988)	-	-	-	(2,204,478)
Total other financing sources (uses)	3,135,262	(1,352,574)	(139,988)	74,954	-	378,552	2,096,206
Net Change in Fund Balances	(38,870)	167,452	(78,467)	(4,365,778)	49,888	284,417	(3,981,358)
Fund Balances - Beginning	1,225,051	89,024	103,676	2,762,565	7,971	599,694	4,787,981
Fund Balances - Ending	\$ 1,186,181	\$ 256,476	\$ 25,209	\$ (1,603,213)	\$ 57,859	\$ 884,111	\$ 806,623

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, 2014

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

Net change in fund balances - total governmental funds:	\$ (3,981,358)
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	 4,350,858
 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.	 781,741
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	 <u>(111,555)</u>
 Change in net position of governmental activities	 <u><u>\$ 1,039,686</u></u>

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

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 6,914,037	\$ 6,914,037	\$ 6,713,221	\$ (200,816)
Licenses and permits	590,115	590,115	810,072	219,957
Intergovernmental revenues	1,704,631	1,664,631	1,725,751	61,120
Charges for services	133,875	133,875	118,149	(15,726)
Fines and forfeitures	33,475	33,475	38,348	4,873
Investment income	8,100	8,100	4,132	(3,968)
Miscellaneous	108,966	129,810	197,747	67,937
Total revenues	<u>9,493,199</u>	<u>9,474,043</u>	<u>9,607,420</u>	<u>133,377</u>
Expenditures:				
Current:				
General government	2,749,165	2,701,094	2,686,306	14,788
Public safety	5,529,014	5,889,842	5,894,161	(4,319)
Physical environment	1,689,532	1,714,331	1,691,069	23,262
Economic environment	287,816	301,156	303,355	(2,199)
Culture and recreation	2,206,480	2,194,184	2,160,348	33,836
Debt Service:				
Principal	52,008	45,296	26,296	19,000
Interest and other charges	5,978	21,395	20,017	1,378
Total expenditures	<u>12,519,993</u>	<u>12,867,298</u>	<u>12,781,552</u>	<u>85,746</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(3,026,794)</u>	<u>(3,393,255)</u>	<u>(3,174,132)</u>	<u>219,123</u>
Other Financing Sources (Uses)				
Capital leases	320,000	465,507	464,960	(547)
Transfers in	3,595,064	3,595,064	3,382,218	(212,846)
Transfers out	(877,533)	(882,001)	(711,916)	170,085
Total other financing sources and uses	<u>3,037,531</u>	<u>3,178,570</u>	<u>3,135,262</u>	<u>(43,308)</u>
Net Change in Fund Balances	10,737	(214,685)	(38,870)	175,815
Fund Balances - Beginning	<u>1,225,051</u>	<u>1,225,051</u>	<u>1,225,051</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,235,788</u>	<u>\$ 1,010,366</u>	<u>\$ 1,186,181</u>	<u>\$ 175,815</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, 2014

	<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>
Revenues:				
Charges for services	\$ 1,569,134	\$ 1,569,134	\$ 1,520,026	\$ (49,108)
Total revenues	<u>1,569,134</u>	<u>1,569,134</u>	<u>1,520,026</u>	<u>(49,108)</u>
Other Financing Sources (Uses)				
Transfers out	(1,569,134)	(1,569,134)	(1,352,574)	216,560
Total other financing sources and uses	<u>(1,569,134)</u>	<u>(1,569,134)</u>	<u>(1,352,574)</u>	<u>216,560</u>
Net Change in Fund Balances	-	-	167,452	167,452
Fund Balances - Beginning	<u>89,024</u>	<u>89,024</u>	<u>89,024</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 89,024</u>	<u>\$ 89,024</u>	<u>\$ 256,476</u>	<u>\$ 167,452</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 125,440	\$ 125,440	\$ 124,582	\$ (858)
Intergovernmental revenues	15,000	15,000	15,055	55
Charges for services	17,500	17,500	6,525	(10,975)
Investment income	20	20	68	48
Total revenues	<u>157,960</u>	<u>157,960</u>	<u>146,230</u>	<u>(11,730)</u>
Expenditures:				
Current:				
Economic environment	<u>86,780</u>	<u>86,780</u>	<u>84,709</u>	<u>2,071</u>
Total Expenditures	<u>86,780</u>	<u>86,780</u>	<u>84,709</u>	<u>2,071</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>71,180</u>	<u>71,180</u>	<u>61,521</u>	<u>(9,659)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(65,034)</u>	<u>(140,034)</u>	<u>(139,988)</u>	<u>46</u>
Total other financing sources and uses	<u>(65,034)</u>	<u>(140,034)</u>	<u>(139,988)</u>	<u>46</u>
Net Change in Fund Balances	6,146	(68,854)	(78,467)	(9,613)
Fund Balances - Beginning	<u>103,676</u>	<u>103,676</u>	<u>103,676</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 109,822</u>	<u>\$ 34,822</u>	<u>\$ 25,209</u>	<u>\$ (9,613)</u>

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

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues	\$ 268,478	\$ 410,614	\$ 1,792,168	\$ 1,381,554
Total revenues	<u>268,478</u>	<u>410,614</u>	<u>1,792,168</u>	<u>1,381,554</u>
Expenditures:				
Current:				
Public safety	268,478	412,370	369,436	42,934
Physical environment	-	55,200	49,408	5,792
Economic environment	-	-	1,318,436	(1,318,436)
Culture and recreation	-	75,000	5,000	70,000
Total Expenditures	<u>268,478</u>	<u>542,570</u>	<u>1,742,280</u>	<u>(1,199,710)</u>
Net Change in Fund Balances	-	(131,956)	49,888	181,844
Fund Balances - Beginning	<u>7,971</u>	<u>7,971</u>	<u>7,971</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 7,971</u>	<u>\$ (123,985)</u>	<u>\$ 57,859</u>	<u>\$ 181,844</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, 2014

	Business-Type Activities - Enterprise Funds				Total
	Water and Sewer	Solid Waste	Stormwater	Seaplane Base	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 7,568,557	\$ 1,253,931	\$ 550,783	\$ 156,543	\$ 9,529,814
Receivables, net	959,795	294,297	94,356	4,493	1,352,941
Inventories, at cost	37,620	-	-	23,590	61,210
Due from other funds	2,878,663	-	-	40,000	2,918,663
Total current assets	11,444,635	1,548,228	645,139	224,626	13,862,628
Noncurrent assets:					
Restricted cash and cash equivalents	5,910,482	-	-	-	5,910,482
Special assessments receivable - long-term	18,403	-	-	-	18,403
Capital assets:					
Land, buildings and equipment	54,295,491	1,724,883	1,800,191	72,945	57,893,510
Construction in progress	22,771,739	-	34,914	-	22,806,653
Less: accumulated depreciation	(27,068,545)	(1,225,709)	(683,040)	(14,496)	(28,991,790)
Total capital assets (net of accumulated depreciation)	49,998,685	499,174	1,152,065	58,449	51,708,373
Total non-current assets	55,927,570	499,174	1,152,065	58,449	57,637,258
Total assets	67,372,205	2,047,402	1,797,204	283,075	71,499,886
Deferred Outflows of Resources:					
Deferred charge on refunding	41,212	-	-	-	41,212
Liabilities:					
Current liabilities:					
Accounts payable	2,701,636	21,207	173,900	5,342	2,902,085
Accrued liabilities	204,767	35,870	25,030	21,127	286,794
Customer deposits payable	538,797	-	-	-	538,797
Matured notes and interest payable	-	13,727	-	-	13,727
Notes payable	731,487	51,983	-	-	783,470
Revenue bonds payable - current	340,000	-	-	-	340,000
Due to other funds	-	-	-	117,085	117,085
Capital lease obligation - current	-	35,574	59,389	-	94,963
Accrued interest payable	338,512	-	614	-	339,126
Total current liabilities	4,855,199	158,361	258,933	143,554	5,416,047
Noncurrent liabilities:					
Other post employment benefit obligations	13,314	4,533	1,443	-	19,290
Notes payable	25,136,048	187,914	-	-	25,323,962
Revenue bonds payable	6,325,000	-	-	-	6,325,000
Capital lease obligation	-	128,987	233,369	-	362,356
Total noncurrent liabilities	31,474,362	321,434	234,812	-	32,030,608
Total liabilities	36,329,561	479,795	493,745	143,554	37,446,655
Net position:					
Net investment in capital assets	17,466,150	94,716	859,307	58,449	18,478,622
Restricted for capital projects	5,910,482	-	-	-	5,910,482
Unrestricted	7,707,224	1,472,891	444,152	81,072	9,705,339
Total net position	\$ 31,083,856	\$ 1,567,607	\$ 1,303,459	\$ 139,521	\$ 34,094,443

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, 2014

	Business-Type Activities - Enterprise Funds				Total
	Water and Sewer	Solid Waste	Stormwater	Seaplane Base	
Operating Revenues:					
User charges	\$ 8,822,402	\$ 2,672,040	\$ 797,195	\$ 341,514	\$ 12,633,151
Other revenue	120,513	8,975	-	33,774	163,262
Total operating revenues	<u>8,942,915</u>	<u>2,681,015</u>	<u>797,195</u>	<u>375,288</u>	<u>12,796,413</u>
Operating Expenses:					
Personal services	1,746,405	430,612	203,630	262,060	2,642,707
Utilities	669,904	989,641	-	42,727	1,702,272
Materials and supplies	443,704	117,930	29,366	237,495	828,495
Repairs and maintenance	263,420	70,218	16,814	71,607	422,059
Depreciation and amortization	1,947,297	54,199	87,446	7,288	2,096,230
Professional services	393,565	6,650	28,590	54,158	482,963
Other expenses	390,266	58,184	28,268	37,884	514,602
Total operating expenses	<u>5,854,561</u>	<u>1,727,434</u>	<u>394,114</u>	<u>713,219</u>	<u>8,689,328</u>
Operating income (loss)	<u>3,088,354</u>	<u>953,581</u>	<u>403,081</u>	<u>(337,931)</u>	<u>4,107,085</u>
Nonoperating Revenue (Expenses):					
Intergovernmental revenue	191,588	-	-	-	191,588
Investment income	15,010	19	82	-	15,111
Interest expense	(502,119)	(14,634)	(3,254)	-	(520,007)
Total nonoperating revenue (expenses)	<u>(295,521)</u>	<u>(14,615)</u>	<u>(3,172)</u>	<u>-</u>	<u>(313,308)</u>
Income (loss) before contributions and transfers	2,792,833	938,966	399,909	(337,931)	3,793,777
Impact fees	473,635	-	-	-	473,635
Transfers in	-	-	-	398,398	398,398
Transfers out	(1,164,782)	(670,293)	(194,462)	(107)	(2,029,644)
Change in net position	2,101,686	268,673	205,447	60,360	2,636,166
Total Net Position - Beginning	<u>28,982,170</u>	<u>1,298,934</u>	<u>1,098,012</u>	<u>79,161</u>	<u>31,458,277</u>
Total Net Position - Ending	<u>\$ 31,083,856</u>	<u>\$ 1,567,607</u>	<u>\$ 1,303,459</u>	<u>\$ 139,521</u>	<u>\$ 34,094,443</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, 2014

	Enterprise Funds				
	Water and Sewer	Sanitation	Stormwater	Seaplane Base	Total
Cash Flows from Operating Activities:					
Receipts from customers	\$ 8,338,533	\$ 2,679,466	\$ 776,533	\$ 373,390	\$ 12,167,922
Payments to suppliers	(1,332,507)	(1,245,741)	54,909	(442,865)	(2,966,204)
Payments to employees	(1,726,850)	(427,600)	(197,269)	(259,141)	(2,610,860)
Net cash provided (used) by operating activities	<u>5,279,176</u>	<u>1,006,125</u>	<u>634,173</u>	<u>(328,616)</u>	<u>6,590,858</u>
Cash Flows from Non-Capital Financing Activities:					
Transfers in	-	-	-	398,398	398,398
Transfers out	(1,164,782)	(670,293)	(194,462)	(107)	(2,029,644)
Increase in due from other funds	(843,181)	-	-	-	(843,181)
Net cash provided (used) by non-capital financing activities	<u>(2,007,963)</u>	<u>(670,293)</u>	<u>(194,462)</u>	<u>398,291</u>	<u>(2,474,427)</u>
Cash Flows from Capital and Related Financing Activities:					
Grant revenues	437,757	-	-	-	437,757
Proceeds of notes and leases	9,667,643	265,671	150,388	-	10,083,702
Acquisition of capital assets	(11,158,074)	(348,576)	(346,257)	(12,119)	(11,865,026)
Principal paid on revenue bonds, notes and leases	(215,000)	(47,758)	(29,709)	-	(292,467)
Interest paid on revenue bonds, notes and leases	(684,573)	(14,516)	(3,254)	-	(702,343)
Impact fees received	473,635	-	-	-	473,635
Net cash provided (used) by capital and related financing activities	<u>(1,478,612)</u>	<u>(145,179)</u>	<u>(228,832)</u>	<u>(12,119)</u>	<u>(1,864,742)</u>
Cash Flows from Investing Activities:					
Investment income	15,010	19	82	-	15,111
Net cash provided (used) by investing activities	<u>15,010</u>	<u>19</u>	<u>82</u>	<u>-</u>	<u>15,111</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,807,611	190,672	210,961	57,556	2,266,800
Cash and Cash Equivalents - Beginning	11,671,428	1,063,259	339,822	98,987	13,173,496
Cash and Cash Equivalents - End	<u>\$ 13,479,039</u>	<u>\$ 1,253,931</u>	<u>\$ 550,783</u>	<u>\$ 156,543</u>	<u>\$ 15,440,296</u>
Classified As:					
Cash and cash equivalents	\$ 7,568,557	\$ 1,253,931	\$ 550,783	\$ 156,543	\$ 9,529,814
Restricted cash and cash equivalents	5,910,482	-	-	-	5,910,482
Total	<u>\$ 13,479,039</u>	<u>\$ 1,253,931</u>	<u>\$ 550,783</u>	<u>\$ 156,543</u>	<u>\$ 15,440,296</u>

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

	Enterprise Funds				
	Water and Wastewater Fund	Solid Waste Fund	Stormwater Fund	Seaplane Base	Total
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 3,088,354	\$ 953,581	\$ 403,081	\$ (337,931)	\$ 4,107,085
Adjustments Not Affecting Cash:					
Depreciation and amortization	1,947,297	54,199	87,446	7,288	2,096,230
Change in Assets and Liabilities:					
(Increase) Decrease in accounts receivable	(664,205)	(1,549)	(20,662)	(1,898)	(688,314)
Decrease in inventories	(37,620)	-	-	1,890	(35,730)
Increase (decrease) in accounts payable	865,972	(3,118)	157,947	(884)	1,019,917
Increase in accrued liabilities	19,910	3,121	6,395	2,919	32,345
Increase in customer deposits	59,823	-	-	-	59,823
Increase in OPEB obligation	(355)	(109)	(34)	-	(498)
Total adjustments	243,525	(1,655)	143,646	2,027	387,543
Net Cash Provided (Used) By Operating Activities	\$ 5,279,176	\$ 1,006,125	\$ 634,173	\$ (328,616)	\$ 6,590,858
Noncash Capital and Financing Activities:					
Net transfers of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Contributed assets	\$ -	\$ -	\$ -	\$ -	\$ -

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

CITY OF TAVARES, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

September 30, 2014

	<u>Total Pension Funds</u>
Assets:	
Cash and cash equivalents	\$ 385,964
Receivables:	
Plan members contributions	4,715
Employer contribution receivable	123,989
Total receivables	<u>128,704</u>
Investments, at fair value:	
Exchange traded funds	8,974,900
Other pension mutual funds	7,419,218
Total Investments	<u>16,394,118</u>
Total assets	<u>16,908,786</u>
Liabilities:	
Accounts payable	<u>40,397</u>
Net Position:	
Held in trust for pension benefits	<u><u>\$ 16,868,389</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, 2014

	<u>Total Pension Funds</u>
Additions:	
Contributions:	
Employer	\$ 657,610
Plan members	273,645
State	163,389
Total contributions	<u>1,094,644</u>
Investment income:	
Net increase (decrease) in fair value	1,318,350
Interest	277,822
Less: investment expense	(77,554)
Net investment income (loss)	<u>1,518,618</u>
Total additions	<u>2,613,262</u>
Deductions:	
Benefits/distributions	854,388
Total deductions	<u>854,388</u>
Change in net position	1,758,874
Net position - beginning	<u>15,109,515</u>
Net position - ending	<u><u>\$ 16,868,389</u></u>

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



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NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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, 2014

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, 2014

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.

The *Grant Special Revenue Fund* is used to account for the expenditure of grant funds awarded by agencies of the Federal and State governments.

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, 2014

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, 2014

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, 2014

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 \$1,042,941. Of this amount, \$268,003 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, 2014

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, 2014

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 Statement Implemented

In fiscal year 2014, the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they related to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The City has implemented the disclosure requirements in Note 10, and the Required Supplementary Information for the City's Defined Benefit and Defined Contribution Retirement Plans.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

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

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

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 - 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	\$ 5,429,693
Depreciation expense	<u>(1,078,835)</u>
Net Adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 4,350,858</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

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

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

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

Debt issued or incurred:	
Notes payable	\$ (464,960)
Interest Payable (net change)	2,195
Principal repayment	<u>1,244,506</u>
Net adjustment to increase <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>\$ 781,741</u>

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

Compensated absences	\$ (113,784)
Other post employment benefits	<u>2,229</u>
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>\$ (111,555)</u>

Note 3 - Stewardship, Compliance, and Accountability:

A. Excess of Expenditures over Appropriations

The Grant Special Revenue Fund and the Debt Service Fund contained excess expenditures over appropriations during the fiscal year ended September 30, 2014.

B. Appropriations in Excess of Funds Available

The Grant Special Revenue Fund, Capital Projects Fund and the Pavilion Fund contained appropriations in excess of revenues and available fund balance for the fiscal year ending September 30, 2014.

C. Deficit Fund Balances

The Capital Projects Fund and the Pavilion Fund have deficit fund balances at September 30, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

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

D. Budgetary Information

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

1. Prior to the end of the fiscal year, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them. Budgets are adopted for all funds except pension trust funds, 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 1st, the budget is legally enacted through passage of a resolution.
4. The City cannot legally exceed the budget and any revisions that alter expenditures must be approved by the City Council. All annual appropriations lapse at year-end. The City Council may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenues. During fiscal year 2012, the City made several amendments to the budget.
5. The City cannot legally exceed the budget; however, at any time during the year, the City Council may transfer part or all of any unencumbered appropriation balance among programs within a department and transfer part or all of any unencumbered appropriation balance from one department to another. The City Administrator may not amend the budget without the approval of the City Council. The legal level of budgetary control is at the individual expenditure account (as detailed in the budget), e.g., salaries, general operating supplies, engineering services, etc., since the City Council must approve any over-expenditures of appropriations or transfers of appropriated amounts between line items. Individual fund comparisons at the legal level of budgetary control are included in a separate budgetary report which is available from the Finance Department.
6. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 4 - 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;
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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 4 - Deposits and Investments (Continued):

B. Investments (Continued):

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 4 - Deposits and Investments (Continued):***B. Investments (Continued)*****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, 2014, all the City's bank deposits were in qualified public depositories.

Custodial Credit Risk - Investments

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

Note 5 - Receivables:

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

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible</u>	<u>Total</u>
General	\$ 421,703	\$ (102,931)	\$ 318,772
Fire Assessment Fund	220,135	-	220,135
Greater Downtown TIF	8,100	(8,100)	-
Water & Sewer	1,501,268	(541,473)	959,795
Sanitation	379,755	(85,458)	294,297
Stormwater	116,080	(21,724)	94,356
Seaplane Base	4,493	-	4,493
Total	<u>\$ 2,651,534</u>	<u>\$ (759,686)</u>	<u>\$ 1,891,848</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 6 - Capital Assets:

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,213,405	\$ -	\$ -	\$ 5,213,405
Construction in progress	3,989,106	4,540,790	-	8,529,896
Total capital assets, not being depreciated:	9,202,511	4,540,790	-	13,743,301
Capital assets, being depreciated:				
Buildings	5,628,547	7,197	-	5,635,744
Improvements/Infrastructure	16,583,483	116,553	-	16,700,036
Machinery and equipment	6,543,078	752,648	-	7,295,726
Software/licenses	188,599	12,505	-	201,104
Total capital assets, being depreciated:	28,943,707	888,903	-	29,832,610
Less accumulated depreciation				
Buildings	(1,917,745)	(141,206)	-	(2,058,951)
Improvements/Infrastructure	(2,848,048)	(647,226)	-	(3,495,274)
Machinery and equipment	(5,938,720)	(254,142)	-	(6,192,862)
Software/licenses	(132,362)	(36,261)	-	(168,623)
Total accumulated depreciation	(10,836,875)	(1,078,835)	-	(11,915,710)
Total capital assets, being amortized/depreciated:	18,106,832	(189,932)	-	17,916,900
Governmental activities assets, net	\$ 27,309,343	\$ 4,350,858	\$ -	\$ 31,660,201

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 6 - Capital Assets (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 388,346	\$ 50,018	\$ -	\$ 438,364
Construction in progress	11,905,504	10,901,149	-	22,806,653
Total capital assets, not being depreciated	12,293,850	10,951,167	-	23,245,017
Capital assets, being depreciated:				
Buildings & improvements	50,415,394	499,241	-	50,914,635
Machinery and equipment	5,700,075	798,864	-	6,498,939
Software/licenses	17,000	24,572	-	41,572
Total capital assets, being depreciated	56,132,469	1,322,677	-	57,455,146
Less accumulated depreciation for:				
Buildings & improvements	(22,609,573)	(1,631,718)	-	(24,241,291)
Machinery and equipment	(4,284,571)	(459,792)	-	(4,744,363)
Software/licenses	(1,416)	(4,720)	-	(6,136)
Total accumulated depreciation	(26,895,560)	(2,096,230)	-	(28,991,790)
Total capital assets, being depreciated, net	29,236,909	(773,553)	-	28,463,356
Business-type activities capital assets, net	\$ 41,530,759	\$ 10,177,614	\$ -	\$ 51,708,373

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government		\$ 107,943
Public safety		157,974
Physical environment		575,993
Economic Development		3,128
Culture and recreation		233,797
Total depreciation expense - governmental activities		<u>\$ 1,078,835</u>
Business-type activities:		
Water & sewer		1,947,297
Solid waste		54,199
Stormwater		87,446
Seaplane base & marina		7,288
Total depreciation expense - business-type activities		<u>\$ 2,096,230</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 7 - Long-Term Debt:

A. Bonds Payable

The City issues bonds to provide funds for the acquisition and construction of major capital assets. Bonds have been issued for business-type activities. 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, 2014</u>
Business-type activities:				
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>	\$ 4,295,000
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>\$6,665,000</u>

<u>Year ending September 30,</u>	<u>Business -Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 340,000	\$ 179,289
2016	350,000	170,143
2017	355,000	160,728
2018	365,000	151,178
2019	380,000	141,360
2020-2024	2,040,000	549,029
2025-2029	2,330,000	259,316
2030	<u>505,000</u>	<u>13,585</u>
	<u>\$ 6,665,000</u>	<u>\$ 1,624,628</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 \$8,289,628. For the fiscal year, interest paid on this series was \$185,072, and total pledged revenue was \$5,509,286.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 7 - Long-Term Debt (Continued):

B. Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets -		
Vehicles	\$ -	\$ 463,563
Machinery and equipment	122,609	150,388
Less: accumulated depreciation	(17,200)	(172,427)
Total	<u>\$ 105,409</u>	<u>\$ 441,524</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2015	\$ 27,927	\$ 103,135
2016	27,927	103,135
2017	13,963	103,135
2018	-	103,135
2019	-	67,241
Total minimum lease payments	69,817	479,781
Less: amount representing interest	(1,908)	(22,462)
	<u>\$ 67,909</u>	<u>\$ 457,319</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, 2014, 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 2014 was \$4,946,635.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 7 - Long-Term Debt (Continued):

C. Notes Payable (Continued)

On March 17, 2009, the City executed State Revolving Loan agreement WW789060 for preconstruction activities such as planning and design for the City's reclaimed water project. The agreement provides total funding in the amount of \$1,071,466. The loan period is for 20 years with an interest rate of 2.92 percent. As of September 30, 2014, 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 2014 was \$4,959,786.

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, 2014, 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 2014 was \$9,937,589.

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 \$3,050,638. The loan period is for 20 years with an interest rate of 2.06 - 2.51 percent. As of September 30, 2014, loan draws in the amount of \$2,756,105 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 2014 was \$4,877,784.

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.

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 Wooton Park. This Note is secured by utility tax revenues, which amounted to \$1,370,931 in fiscal year 2014. Total principal and interest remaining to be paid on this series is \$3,468,634.

On April 4, 2014, the City issued the Capital Improvement Revenue Note, Series 2014, to acquire police vehicles and equipment for the Solid Waste Fund. The Note is in the amount of \$730,631 with an interest rate of 1.33%. The proceeds of \$464,960 and \$265,671 were allocated to governmental activities and business-type activities, respectively, based on the cost of the equipment acquired. The note 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 7 - 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 \$1,484,857. For the fiscal year, principal and interest paid on this series was \$114,159.

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 \$3,538,843. For the fiscal year, principal and interest paid on this series was \$271,507, and total pledged revenue was \$264,187.

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 \$14,255,943. For the fiscal year, principal and interest paid on the note was \$678,854. Total pledged revenue for fiscal year 2014 was \$5,218,711.

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 \$386,561. For the fiscal year principal and interest paid on the note was \$24,166. Total pledged revenue for fiscal year 2014 was \$4,946,635.

The State Revolving Loan State Revolving Loan Agreement WW789060 in the amount of \$850,852 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 \$1,102,742. Total pledged revenue for fiscal year 2014 was \$4,959,786.

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 \$3,043,549. For the fiscal year 2014 principal and interest paid on the note was \$101,490. Total pledged revenue for fiscal year 2014 was \$4,937,589.

The State Revolving Loan State Revolving Loan Agreement WW350920 in the amount of \$2,756,106 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 \$3,390,281. Total pledged revenue for fiscal year 2014 was \$4,877,784.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 7 - Long-Term Debt (Continued):

C. Notes Payable (Continued)

Notes payable outstanding at year end are as follows:

	<u>Interest Rates and Dates</u>	<u>Issue and Final Maturity Dates</u>	<u>Original Amount</u>	<u>Balance September 30, 2014</u>
<u>Governmental Activities</u>				
Sales Tax Revenue Note Series 2003	3.717% 10/1 & 4/1	7/22/2003 10/1/2016	<u>\$ 6,000,000</u>	\$ 1,190,000
Capital Improvement Revenue Note Series 2008	3.99% 10/1 & 4/1	5/23/2008 10/1/2027	<u>\$ 1,500,000</u>	1,141,000
Capital Improvement Revenue Refunding Note Series 2012	2.32% 2/1 & 8/1	6/14/2012 2/1/2028	<u>\$ 6,530,000</u>	6,001,000
General Obligation Series 2012	2.77% 1/1 & 7/1	6/18/2012 7/1/2027	<u>\$ 3,300,000</u>	2,938,000
Capital Improvement Revenue Note Series 2013	2.69% 2/1 & 8/1	8/9/2013 2/1/2032	<u>\$ 2,750,000</u>	2,750,000
Capital Improvement Revenue Notes Series 2014	1.33% 10/1,1/1,4/1 & 7/1	4/4/2014 4/1/2019	<u>\$ 464,960</u>	419,750
Total				<u>\$ 14,439,750</u>
<u>Business-Type Activities</u>				
State Revolving Loan WW78905P	2.15%-3.07% 6/15 & 12/15	4/2/2002 12/15/2035	<u>\$ 14,706,596</u>	\$ 11,341,528
State Revolving Loan WW789060	2.82% 4/15 & 10/15	3/17/2009 4/15/2031	<u>\$ 850,852</u>	850,852
State Revolving Loan DW350301	2.82% 5/15 & 11/15	9/21/2009 11/15/2030	<u>\$ 339,292</u>	309,371
State Revolving Loan 350910	2.37% 3/15 & 9/15	5/11/2011 3/15/2032	<u>\$ 2,571,438</u>	2,453,286
State Revolving Loan 350920	2.51% 4/15 & 10/15	4/5/2013 3/15/2032	<u>\$ 2,756,105</u>	2,756,105
State Revolving Loan 350900	1.62%-2.06% 4/15 & 10/15	6/28/2013 4/15/2035	<u>\$ 3,468,347</u>	3,468,347
State Revolving Loan 350930	2.00% 4/15 & 10/15	6/28/2013 10/1/2034	<u>\$ 4,688,046</u>	4,688,046
Capital Improvement Revenue Notes Series 2014	1.33% 10/1,1/1,4/1 & 7/1	4/4/2014 4/1/2019	<u>\$ 265,671</u>	239,897
Total				<u>\$ 26,107,432</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 7 - Long-Term Debt (Continued):

C. Notes Payable (Continued)

Debt service requirements for notes payable at September 30, 2014 are:

Year Ending September 30,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 1,425,221	\$ 383,495	\$ 783,471	\$ 400,001
2016	1,466,440	340,579	1,164,376	495,717
2017	878,676	296,432	1,329,748	516,526
2018	902,928	274,188	1,357,796	488,478
2019	876,485	251,407	1,359,395	459,865
2020-2024	4,493,000	910,509	7,099,217	1,857,608
2025-2029	3,842,000	291,035	7,700,548	1,061,277
2030-2034	555,000	22,663	4,645,191	326,557
2035	-	-	667,690	11,172
	<u>\$ 14,439,750</u>	<u>\$ 2,770,308</u>	<u>\$ 26,107,432</u>	<u>\$ 5,617,201</u>

D. Changes in Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital Lease	\$ 94,205	\$ -	\$ (26,296)	\$ 67,909	\$ 26,788
Notes payable					
Capital improvement	6,358,000	-	(357,000)	6,001,000	368,000
Capital improvement	1,207,000	-	(66,000)	1,141,000	69,000
Sales tax	1,755,000	-	(565,000)	1,190,000	585,000
General obligation	3,123,000	-	(185,000)	2,938,000	191,000
Capital improvement	2,750,000	-	-	2,750,000	121,000
Capital improvement	-	464,960	(45,210)	419,750	91,221
Total notes payable	15,193,000	464,960	(1,218,210)	14,439,750	1,425,221
Other post employment benefits	87,863	-	(2,229)	85,634	-
Compensated absences	667,245	727,894	(614,110)	781,029	195,257
Governmental activity long-term liabilities	<u>\$ 16,042,313</u>	<u>\$ 1,192,854</u>	<u>\$ (1,860,845)</u>	<u>\$ 15,374,322</u>	<u>\$ 1,647,266</u>
Business-type activities:					
Revenue bonds	\$ 6,880,000	\$ -	\$ (215,000)	\$ 6,665,000	\$ 340,000
Capital leases	371,516	150,388	(64,585)	457,319	94,963
State revolving loans	16,199,892	10,144,387	(476,744)	25,867,535	731,487
Capital improvement note	-	265,671	(25,774)	239,897	51,983
Other post employment benefits	19,788	-	(498)	19,290	-
Business-type activity long term liabilities	<u>\$ 23,471,196</u>	<u>\$ 10,560,446</u>	<u>\$ (782,601)</u>	<u>\$ 33,249,041</u>	<u>\$ 1,218,433</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 8 - Conduit Debt:

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2014 there was an aggregate principal amount of \$1,000,000,000 authorized to be issued; however, no bonds have been issued.

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

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

Note 9 - Interfund Receivables, Payables and Transfers:

The composition of due to/from other funds at September 30, 2014 is as follows:

	Receivable Fund				Total
	General Fund	Capital Projects Fund	Water & Sewer Fund	Seaplane Base	
Payable Fund					
General fund	\$ -	\$ 142,535	\$ -	\$ 40,000	\$ 182,535
Fire assessment fund	76,157	-	-	-	76,157
Capital projects fund	796	-	2,784,204	-	2,785,000
Grant fund	196,196	-	53,663	-	249,859
Seaplane base	117,085	-	-	-	117,085
Nonmajor governmental funds	218,745	-	40,796	-	259,541
Total	<u>\$ 608,979</u>	<u>\$ 142,535</u>	<u>\$ 2,878,663</u>	<u>\$ 40,000</u>	<u>\$ 3,670,177</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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

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

The amounts payable to the general fund relate to disbursements made on behalf of the grant special revenue 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 Wootton 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, 2014 no balances were outstanding related to these loans.

Interfund transfers for the year ended September 30, 2014 consisted of the following:

	<u>Transfer in</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Seaplane Base</u>	<u>Nonmajor Governmental Funds</u>	
Transfer out:					
General fund	\$ -	\$ -	\$ 333,364	\$ 378,552	\$ 711,916
Fire assessment fund	1,352,574	-	-	-	1,352,574
Greater downtown					
TIF district	-	74,954	65,034	-	139,988
Water & sewer fund	1,164,782	-	-	-	1,164,782
Solid waste fund	670,293	-	-	-	670,293
Stormwater fund	194,462	-	-	-	194,462
Seaplane base fund	107	-	-	-	107
Total	<u>\$ 3,382,218</u>	<u>\$ 74,954</u>	<u>\$ 398,398</u>	<u>\$ 378,552</u>	<u>\$ 4,234,122</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 10 - Retirement Plans:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 10 - Retirement Plans (Continued):

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 2014 were \$79,280 in the Police Officer's Pension Trust fund and \$84,109 in the Firefighter's Pension Trust Fund.

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

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's board of trustees is comprised of two legal residents appointed by the City Commission, two plan members as elected by other covered members, and one member elected by the previous four trustees and appointed by the City Commission. As of September 30, 2014 active plan membership was 24 and there were 3 inactive plan members entitled to but not receiving benefits and 8 inactive plan members or beneficiaries receiving benefits.

Benefits Provided The Plan provides retirement, termination, disability and death benefits.

Normal retirement

Eligibility: First day of the month following attainment of Age 55 and the completion of 10 years of Credited Service, or the completion of 25 years of Credited Service, regardless of age.

Date: Age 50 and 10 years of Credited Service.

Benefit: 3.0% of Average Final Compensation times Credited Service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

Early retirement

Eligibility: Service Incurred Covered from Date of Employment. Non-Service Incurred 10 years of Credited Service.

Benefit Amount: Accrued benefit payable for life, with 120 monthly payments guaranteed, or until recovery. Minimum benefit for service incurred disability is 42% of Average Final Compensation.

Vesting (Termination)

10 years or more: Accrued benefit payable at age 55 (unreduced), or age 50 (reduced). The Member may also elect a refund of Member Contributions without interest.

Less than 10 years of Contributing Service: Refund of Member Contributions without interest.

Disability

Eligibility: Service Incurred Covered from Date of Employment. Non-Service Incurred 10 years of Credited Service.

Benefit Amount: Accrued benefit payable for life, with 120 monthly payments guaranteed, or until recovery. Minimum benefit for service incurred disability is 42% of Average Final Compensation.

Pre-Retirement Death Benefits

Less than 10 years of Contributing Service: Refund of Member Contributions without interest.

10 years or more: Accrued benefit payable for 10 years commencing at Normal Retirement date or Early Retirement Date, or actuarially reduced for immediate commencement.

Cost-of-Living Adjustment

Automatic 2% lifetime COLA, beginning the first July 1 following one full year of retirement for all categories of retirement. In the event that the first COLA is more than 12 months following retirement, the first adjustment is prorated for the number of months exceeding 12.

Contributions Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Investment Policy The following was the Board's adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation
Domestic Equity	35%
International Equity	15%
Bonds	30%
Convertibles	10%
Private Real Estate	5%
MLPs	5%
Total	100%

Concentrations The plan did not hold investments in any one organization that represents 5 percent or more of the plan's fiduciary net position.

Rate of Return For the year ended September 30, 2014, the annual money-weighted rate of return on plan investments, net of investment expense, was 10.32%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

Deferred Retirement Option Program Members are eligible for the program after satisfaction of normal retirement requirements stated above. Participation is not to exceed 60 months. The rate of return is at the member's election and is a) the actual rate of investment return, net of expenses, or b) 6.0% fixed interest. The DROP balance at September 30, 2014 is \$0.

Net Pension Liability of the Sponsor The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 10,780,327
Plan Fiduciary Net Position	<u>(9,872,049)</u>
Sponsor's Net Pension Liability	<u>\$ 908,278</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	91.57%

Actuarial Assumptions The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following assumptions:

Inflation	3.00%
Salary Increases	6.00%
Investment Rate of Return	8.00%

The mortality table used is the RP2000 Combined Healthy Fully Generational with Blue Collar Adjustment, sex distinct. The disability mortality table is the RP2000 Disabled Retiree Mortality Table, fully generational.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.8%
International Equity	2.2%
Bonds	3.7%
Convertibles	5.3%
Private Real Estate	4.9%
MLPs	12.7%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	\$ 2,396,483	\$ 930,424	\$ (272,810)

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 full-time firefighters are eligible to participate in the plan upon employment. The plan's board of trustees is comprised of two legal residents appointed by the City Commission, two plan members as elected by other covered members, and one member elected by the previous four trustees and appointed by the City Commission. As of September 30, 2014 active plan membership was 21 and there were no inactive plan members entitled to but not receiving benefits and 10 inactive plan members or beneficiaries receiving benefits.

Benefits Provided The Plan provides retirement, termination, disability and death benefits.

Normal retirement

Eligibility: First day of the month following attainment of Age 55 and the completion of 10 years of Credited Service, attainment of age 52 and the completion of 25 years of Credited Service.

Benefit Amount: 2.0% of Average Final Compensation times Credited Service through 9/30/1996 plus 3.0% of Average Final Compensation times Credited Service on or after 10/1/1996.

Early retirement

Eligibility: Age 50 and 10 years of Credited Service.

Benefit Amount: Accrued benefit, reduced 2.0% for each year that Early Retirement precedes Normal Retirement.

Vesting (Termination)

Less than 10 years of Contributing Service: Refund of Member Contributions without Contributing Service interest.

10 years or more: Accrued benefit payable at earliest Normal Retirement Date based on actual years of Credited Service at termination (unreduced), or age 50 (reduced), or Refund of Member Contributions without interest.

Disability

Eligibility: Service Incurred - Date of Employment. Non-Service Incurred - 10 years of Credited Service.

Benefit Amount: Accrued benefit payable for life, with 120 monthly payments guaranteed, or until recovery. Minimum benefit for service incurred disability is 42% of Average Final Compensation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

2. Firefighters' Pension Plan (Continued)

Pre-Retirement Death Benefits

Less than 10 years of Contributing Service: Refund of Member Contributions without interest.

10 years or more: Accrued benefit payable for 10 years commencing at Normal Retirement date or Early Retirement Date, or actuarially reduced for immediate commencement.

Contributions Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Investment Policy The following was the Board's adopted asset allocation policy as of September 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	35%
International Equity	15%
Bonds	30%
Convertibles	10%
Private Real Estate	5%
MLPs	5%
Total	100%

Concentrations The plan did not hold investments in any one organization that represents 5 percent or more of the plan's fiduciary net position.

Rate of Return For the year ended September 30, 2014, the annual money-weighted rate of return on plan investments, net of investment expense, was 10.2%.

Deferred Retirement Option Program Members are eligible for the program after satisfaction of normal retirement requirements stated above. Participation is not to exceed 60 months. The rate of return is at the member's election and is a) the actual rate of investment return, net of expenses, or b) 6.0% fixed interest. The DROP balance at September 30, 2014 is \$36,422.

Net Pension Liability of the Sponsor The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 6,239,557
Plan Fiduciary Net Position	<u>(5,329,536)</u>
Sponsor's Net Pension Liability	<u>\$ 910,021</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>85.42%</u>

Actuarial Assumptions The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following assumptions:

Inflation	3.00%
Salary Increases	7.50%
Investment Rate of Return	8.00%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

2. Firefighters' Pension Plan (Continued)

The mortality table used is the RP2000 Combined Healthy Fully Generational with Blue Collar Adjustment, sex distinct. The disability mortality table is the RP2000 Disabled Retiree Mortality Table, fully generational.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.8%
International Equity	2.2%
Bonds	3.7%
Convertibles	5.3%
Private Real Estate	4.9%
MLPs	12.7%

Discount Rate The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	\$ 2,750,534	\$ 863,764	\$ (442,683)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 10 - Retirement Plans (Continued):

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, 2014, 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 \$36,584.

C. Florida Retirement System

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

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

The System provides vesting of benefits after six (6) years of creditable service. Members are eligible for normal retirement after 6 years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken after completing 6 years of service; however, there is a five percent reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees. 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, 2014, 95 City employees were members of the FRS Retirement Plans.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 10 - Retirement Plans (Continued):

C. Florida Retirement System (Continued):

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

	10/1/2013 6/30/2014	7/1/2014 9/30/2014
Regular employees - members not qualifying for other classes	6.95%	7.37%
Deferred Retirement Option Program (DROP)	12.84%	12.28%
Senior Management -	18.31%	21.14%

Included in the above rates are the employer's contribution of 1.26% 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 2013-2014 fiscal year.

Fiscal Year Ended	Required Contribution	Percent (%) Contributed
9/30/2014	\$ 397,640	100.00%
9/30/2013	301,431	100.00%
9/30/2012	380,381	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, 2014

Note 10 - Retirement Plans (Continued):

D. Individual Condensed Fiduciary Fund Statements

Individual statements of fiduciary net position follow:

CITY OF TAVARES, FLORIDA			
<u>Individual Statement of Pension Fund Net Position</u>			
Fiduciary Funds			
As of September 30, 2014			
	General Employees	Police Officers	Firefighters
Assets:			
Cash and cash equivalents	\$ -	\$ 248,963	\$ 137,001
Receivables:			
Employer contribution receivable	-	29,057	-
Other receivables	-	4,715	94,932
Total receivables	-	33,772	94,932
Investments, at fair value:			
Exchange traded funds	-	5,804,750	3,170,150
Other pension mutual funds	1,666,804	3,784,564	1,967,850
Total Investments	1,666,804	9,589,314	5,138,000
Total assets	1,666,804	9,872,049	5,369,933
Liabilities:			
Accounts payable	-	-	40,397
Net Position:			
Held in trust for pension benefits	\$ 1,666,804	\$ 9,872,049	\$ 5,329,536

CITY OF TAVARES, FLORIDA			
<u>Individual Statement of Changes in Pension Fund Net Position</u>			
Fiduciary Funds			
For the Year Ended September 30, 2014			
	General Employees	Police Officers	Firefighters
Additions:			
Contributions:			
Employer	\$ 36,553	\$ 319,388	\$ 301,669
Plan members	-	226,609	47,036
State	-	79,280	84,109
Total contributions	36,553	625,277	432,814
Investment income:			
Net increase (decrease) in fair value	148,961	765,831	403,558
Interest	-	182,469	95,353
Less: investment expense	-	(39,665)	(37,889)
Net investment income (loss)	148,961	908,635	461,022
Total additions	185,514	1,533,912	893,836
Deductions:			
Benefits/distributions	159,520	504,855	190,013
Total deductions	159,520	504,855	190,013
Change in net position	25,994	1,029,057	703,823
Net position - beginning	1,640,810	8,842,992	4,625,713
Net position - ending	\$ 1,666,804	\$ 9,872,049	\$ 5,329,536

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 11 - Other Post Employment Benefits:

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

The 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, 2014 is as follows:

City of Tavares - Other Post Employment Obligations	
Net OPEB Obligation	
Annual Required Contribution (ARC)	\$ 27,473
Interest	4,306
Adjustments to ARC	(5,986)
Total ARC	25,793
Contributions made	-
Implicit rate subsidy	(28,520)
Change in NPO	(2,727)
Net OPEB obligation at September 30, 2014	\$ 104,924

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, 2014, 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, 2014 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 2014:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of APC Contributed	Net OPEB Obligation
9/30/2014	\$ 25,793	110.6%	\$ 104,924
9/30/2013	22,753	19.6%	107,651
9/30/2012	22,753	19.6%	90,782

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 11 - Other Post Employment Benefits (Continued):

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

	Active Employees	Retired Employees	Total
Annual Medical Premiums Paid	\$ 1,699,526	\$ 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, 2014

Note 12 - Risk Management:

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

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

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

Note 13 - Commitments and Contingencies:

Litigation

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2014. 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, 2014, 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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014

Note 14 - Fund Balance:

At September 30, 2014, the city's governmental fund balances were as follows:

Fund Balances	General	Fire Assessment Fund	Greater Downtown TIF District	Capital Projects Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Inventory/prepays	\$ 8,525	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,525
Due from other funds	532,026	-	-	-	-	-	532,026
Non-expendable trust	-	-	-	-	-	29,295	29,295
Spendable							
Restricted for:							
Community development	-	-	25,209	-	-	-	25,209
Public safety	-	256,476	-	-	-	111,872	368,348
Capital projects	-	-	-	-	-	589,844	589,844
Culture recreation	-	-	-	-	57,859	52,930	110,789
Debt Service	-	-	-	-	-	100,170	100,170
Assigned	-	-	-	-	-	-	-
Unassigned	645,630	-	-	(1,603,213)	-	-	(957,583)
Total fund balances	<u>\$ 1,186,181</u>	<u>\$ 256,476</u>	<u>\$ 25,209</u>	<u>\$ (1,603,213)</u>	<u>\$ 57,859</u>	<u>\$ 884,111</u>	<u>\$ 806,623</u>

Note 15 - Other Disclosures:

Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION PLANS

September 30, 2014

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
2014	\$ 27,473	0%	\$ 104,924
2013	22,753	0%	107,651
2012	21,787	0%	90,782

REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS - POLICE OFFICERS' PENSION PLAN**

September 30, 2014

	<u>9/30/2014</u>	<u>9/30/2013</u>
Total Pension Liability		
Service Cost	\$ 360,391	\$ 333,695
Interest	812,355	765,641
Change in Excess State Money	-	-
Contributions - Buy Back	32,858	-
Changes of Assumptions	-	-
Benefit Payments, including refunds of employee contributions	(438,639)	(645,582)
Net Change in Total Pension Liability	<u>766,965</u>	<u>453,754</u>
Total Pension Liability - beginning	<u>10,013,362</u>	<u>9,559,608</u>
Total Pension Liability - ending (a)	<u><u>\$ 10,780,327</u></u>	<u><u>\$ 10,013,362</u></u>
 Plan Fiduciary Net Position		
Contributions - employer	316,247	278,574
Contributions - state	79,280	77,207
Contributions - employee	193,826	183,481
Contributions - buy back	32,858	-
Net Investment Income	924,676	921,377
Benefit Payments, Including Refunds of Employee Contributions	(438,639)	(645,582)
Administrative Expense	(16,039)	(10,500)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>1,092,209</u>	<u>804,557</u>
 Plan Fiduciary Net Position- beginning	<u>8,757,694</u>	<u>7,953,137</u>
Plan Fiduciary Net Position- ending (b)	<u><u>\$ 9,849,903</u></u>	<u><u>\$ 8,757,694</u></u>
 Net Pension Liability - ending (a)- (b)	<u><u>\$ 930,424</u></u>	<u><u>\$ 1,255,668</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.37%	87.46%
 Covered-employee Payroll	\$ 1,514,268	\$ 1,433,445
 Net Pension Liability as a Percentage of Covered Employee Payroll	61.44%	87.60%

REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF CITY CONTRIBUTIONS**
POLICE OFFICERS' PENSION PLAN

September 30, 2014

	<u>9/30/2014</u>	<u>9/30/2013</u>
Actuarially Determined Contribution	\$ 395,527	\$ 355,781
Contributions in Relation to the		
Actuarially Determined Contribution	395,527	355,781
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	1,514,268	1,433,445
Contributions as a Percentage of		
Covered Employee Payroll	26.12%	24.82%

Notes to Schedule

Valuation Date 10/1/2012
contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method	Entry Age Normal Actuarial Cost Method										
Amortization Method	Level percentage of pay, closed.										
Remaining Amortization Period	30 Years (as of 10/01/2012)										
Actuarial Asset Method	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.										
Inflation	3.0% per year										
Salary Increases	6.0% until the assumed retirement age.										
Payroll Growth	3.0% per year										
Cost-of-Living Adjustment	2.0% annually following one year of retirement.										
Liability Load	<table> <thead> <tr> <th style="text-align: center;"><u>Hire Date</u></th> <th style="text-align: center;"><u>Assumption</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Before 10/01/01</td> <td style="text-align: center;">4%</td> </tr> <tr> <td style="text-align: center;">10/01/01-09/30/06</td> <td style="text-align: center;">3%</td> </tr> <tr> <td style="text-align: center;">10/01/06-09/30/11</td> <td style="text-align: center;">2%</td> </tr> <tr> <td style="text-align: center;">10/01/11 and later</td> <td style="text-align: center;">No Load</td> </tr> </tbody> </table>	<u>Hire Date</u>	<u>Assumption</u>	Before 10/01/01	4%	10/01/01-09/30/06	3%	10/01/06-09/30/11	2%	10/01/11 and later	No Load
<u>Hire Date</u>	<u>Assumption</u>										
Before 10/01/01	4%										
10/01/01-09/30/06	3%										
10/01/06-09/30/11	2%										
10/01/11 and later	No Load										
Interest Rate	8.0% per year, compounded annually net of investment related expenses.										
Retirement Age	Earlier of 1) age 55 and 10 years of service, or 2) 25 years of service, regardless of age. Also any member who has reached normal retirement age is assumed to continue employment for one additional year.										
Early Retirement	Commencing with the earliest Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.										
Termination Rates	See table below.										
Disability Rates	See table below. It is assumed that 75% of Disability Retirements and Pre-Retirement Deaths are service-related.										
Mortality	RP-2000 Table Combined Healthy Fully Generational with Blue Collar Adjustment, sex distinct.										
Disability Mortality Table	RP-2000 Disabled Retiree Mortality Table, fully generational.										
Other Information	Termination and Disability Rate Table										

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	6.00%	0.03%
30	5.00%	0.04%
40	2.60%	0.07%
50	0.80%	0.18%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS
POLICE OFFICERS' PENSION PLAN

September 30, 2014

	<u>9/30/2014</u>	<u>9/30/2013</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	10.32%	11.66%

REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS - FIREFIGHTERS' PENSION PLAN**

September 30, 2014

	<u>9/30/2014</u>	<u>9/30/2013</u>
Total Pension Liability		
Service Cost	\$ 286,443	\$ 265,225
Interest	463,813	419,539
Change in Excess State Money	6,494	-
Contributions - Buy Back	-	-
Changes of Assumptions	-	-
Benefit Payments, including refunds of employee contributions	(164,118)	(140,990)
Net Change in Total Pension Liability	<u>592,632</u>	<u>543,774</u>
Total Pension Liability - beginning	5,646,925	5,103,151
Total Pension Liability - ending (a)	<u><u>\$ 6,239,557</u></u>	<u><u>\$ 5,646,925</u></u>
Plan Fiduciary Net Position		
Contributions - employer	304,533	259,897
Contributions - state	84,109	82,682
Contributions - employee	46,734	44,127
Contributions - buy back	-	-
Net Investment Income	480,285	475,192
Benefit Payments, Including Refunds of Employee Contributions	(164,118)	(140,990)
Administrative Expense	(19,264)	(21,244)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>732,279</u>	<u>699,664</u>
Plan Fiduciary Net Position- beginning	4,643,514	3,943,850
Plan Fiduciary Net Position- ending (b)	<u><u>\$ 5,375,793</u></u>	<u><u>\$ 4,643,514</u></u>
Net Pension Liability - ending (a)- (b)	<u><u>\$ 863,764</u></u>	<u><u>\$ 1,003,411</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.16%	82.23%
Covered-employee Payroll	\$ 1,335,248	\$ 1,260,784
Net Pension Liability as a Percentage of Covered Employee Payroll	64.69%	79.59%

REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF CITY CONTRIBUTIONS
FIREFIGHTERS' PENSION PLAN**

September 30, 2014

	9/30/2014	9/30/2013
Actuarially Determined Contribution	\$ 382,148	\$ 337,512
Contributions in Relation to the Actuarially Determined Contribution	382,148	337,512
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	1,335,248	1,260,784
Contributions as a Percentage of Covered Employee Payroll	28.62%	26.77%

Notes to Schedule

Valuation Date 10/1/2012

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level percentage of pay, closed.
Remaining Amortization Period	30 Years (as of 10/01/2012)
Actuarial Asset Method	The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.
Inflation	3.0% per year
Salary Increases	7.5% until the assumed retirement age.
Payroll Growth	3.0% per year
Interest Rate	8.0% per year, compounded annually net of investment related expenses.
Retirement Age	Earlier of 1) age 55 and 10 years of service, or 2) age 52 and 25 years of service. Also any member who has reached normal retirement age is assumed to continue employment for one additional year.
Early Retirement	Commencing with the earliest Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Termination Rates	See table below.
Disability Rates	See table below. It is assumed that 75% of Disability Retirements and Pre-Retirement Deaths are service-related.
Mortality	RP-2000 Table Combined Healthy Fully Generational with Blue Collar Adjustment, sex distinct.
Disability Mortality Table	RP-2000 Disabled Retiree Mortality Table, fully generational.
Other Information	Termination and Disability Rate Table

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	6.00%	0.03%
30	5.00%	0.04%
40	2.60%	0.07%
50	0.80%	0.18%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS
FIREFIGHTERS' PENSION PLAN

September 30, 2014

	<u>9/30/2014</u>	<u>9/30/2013</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	10.20%	11.72%

**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).



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CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
Investment income	-	-	475	475
Miscellaneous	-	-	-	-
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>475</u>	<u>(249,525)</u>
Expenditures:				
Current:				
Culture and recreation	-	-	2,700	(2,700)
Capital Outlay	250,000	4,532,804	4,438,507	94,297
Total Expenditures	<u>250,000</u>	<u>4,532,804</u>	<u>4,441,207</u>	<u>91,597</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(4,282,804)</u>	<u>(4,440,732)</u>	<u>(157,928)</u>
Other Financing Sources (Uses)				
Transfers in	-	75,000	74,954	46
Total other financing sources and uses	<u>-</u>	<u>75,000</u>	<u>74,954</u>	<u>46</u>
Net Change in Fund Balances	<u>-</u>	<u>(4,207,804)</u>	<u>(4,365,778)</u>	<u>(157,882)</u>
Fund Balances - Beginning	<u>2,762,565</u>	<u>2,762,565</u>	<u>2,762,565</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,762,565</u>	<u>\$ (1,445,239)</u>	<u>\$ (1,603,213)</u>	<u>\$ (157,882)</u>



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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

- Police Training** - Accounts for revenues received pursuant to Chapter 943.25, Florida Statutes. Funds must be used to educate and train law enforcement personnel.
- 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

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.

CITY OF TAVARES, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2014

	Special Revenue					
	Police Training	Infrastructure Special Revenue	Police Services Impacts	Fire/Rescue Services Impacts	Police Forfeitures	Parks & Recreation Impacts
Assets:						
Cash and cash equivalents	\$ 4,080	\$ 1,399,461	\$ 48,266	\$ 61,187	\$ 7,700	\$ 50,717
Receivable from other governments	-	120,852	-	-	-	-
Total assets	<u>\$ 4,080</u>	<u>\$ 1,520,313</u>	<u>\$ 48,266</u>	<u>\$ 61,187</u>	<u>\$ 7,700</u>	<u>\$ 50,717</u>
Liabilities and Fund Balances:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	218,745	-	-	-	-
Customer deposits	-	-	-	-	-	-
Unearned revenue	-	-	1,759	7,602	-	-
Matured bonds payable	-	653,617	-	-	-	-
Matured interest payable	-	58,107	-	-	-	-
Total liabilities	-	930,469	1,759	7,602	-	-
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	4,080	589,844	46,507	53,585	7,700	50,717
Total fund balances	<u>4,080</u>	<u>589,844</u>	<u>46,507</u>	<u>53,585</u>	<u>7,700</u>	<u>50,717</u>
Total liabilities and fund balances	<u>\$ 4,080</u>	<u>\$ 1,520,313</u>	<u>\$ 48,266</u>	<u>\$ 61,187</u>	<u>\$ 7,700</u>	<u>\$ 50,717</u>

Special Revenue				Permanent Funds			
Pavilion Fund	Flag Pole Fund	Total Special Revenue Funds	Debt Service Fund	Playground Fund	Library Building Fund	Total Permanent Funds	Total Other Governmental Funds
\$ 77,632	\$ 18,328	\$ 1,667,371	\$ 100,170	\$ 32,755	\$ 22,796	\$ 55,551	\$ 1,823,092
-	-	120,852	-	-	-	-	120,852
<u>\$ 77,632</u>	<u>\$ 18,328</u>	<u>\$ 1,788,223</u>	<u>\$ 100,170</u>	<u>\$ 32,755</u>	<u>\$ 22,796</u>	<u>\$ 55,551</u>	<u>\$ 1,943,944</u>
\$ 30,933	\$ -	\$ 30,933	\$ -	\$ -	\$ -	\$ -	\$ 30,933
4,723	-	4,723	-	-	-	-	4,723
40,796	-	259,541	-	-	-	-	259,541
3,500	-	3,500	-	-	-	-	3,500
19,125	-	28,486	-	-	20,926	20,926	49,412
-	-	653,617	-	-	-	-	653,617
-	-	58,107	-	-	-	-	58,107
<u>99,077</u>	<u>-</u>	<u>1,038,907</u>	<u>-</u>	<u>-</u>	<u>20,926</u>	<u>20,926</u>	<u>1,059,833</u>
-	-	-	-	29,295	-	29,295	29,295
(21,445)	18,328	749,316	100,170	3,460	1,870	5,330	854,816
<u>(21,445)</u>	<u>18,328</u>	<u>749,316</u>	<u>100,170</u>	<u>32,755</u>	<u>1,870</u>	<u>34,625</u>	<u>884,111</u>
<u>\$ 77,632</u>	<u>\$ 18,328</u>	<u>\$ 1,788,223</u>	<u>\$ 100,170</u>	<u>\$ 32,755</u>	<u>\$ 22,796</u>	<u>\$ 55,551</u>	<u>\$ 1,943,944</u>

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

For the Year Ended September 30, 2014

	Special Revenue					
	Police Training	Infrastructure Special Revenue	Police Services Impacts	Fire/Rescue Services Impacts	Police Forfeitures	Parks & Recreation Impacts
Revenues:						
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	1,205,751	-	-	-	-
Charges for services	-	-	25,373	48,806	-	44,672
Fines and forfeitures	2,068	-	-	-	257	-
Investment income	-	2,343	71	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	2,068	1,208,094	25,444	48,806	257	44,672
Expenditures:						
Current:						
Public safety	1,016	-	-	-	8,012	-
Physical environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt Service:						
Principal	-	1,010,617	-	-	-	-
Interest and fiscal charges	-	238,328	-	-	-	-
Total expenditures	1,016	1,248,945	-	-	8,012	-
Excess (deficiency) of revenues over expenditures	1,052	(40,851)	25,444	48,806	(7,755)	44,672
Other Financing Sources (Uses):						
Transfers in	-	237,371	-	-	-	-
Total other financing sources (uses)	-	237,371	-	-	-	-
Net Change in Fund Balances	1,052	196,520	25,444	48,806	(7,755)	44,672
Fund Balances - Beginning	3,028	393,324	21,063	4,779	15,455	6,045
Fund Balances - Ending	\$ 4,080	\$ 589,844	\$ 46,507	\$ 53,585	\$ 7,700	\$ 50,717

Special Revenue			Permanent Funds				
Pavilion Fund	Flag Pole Fund	Total Special Revenue Funds	Debt Service Fund	Playground Fund	Library Building Fund	Total Permanent Funds	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 264,187	\$ -	\$ -	\$ -	\$ 264,187
-	-	1,205,751	-	-	-	-	1,205,751
43,903	-	162,754	-	-	-	-	162,754
-	-	2,325	-	-	-	-	2,325
-	-	2,414	94	63	44	107	2,615
16,296	-	16,296	-	-	-	-	16,296
60,199	-	1,389,540	264,281	63	44	107	1,653,928
-	-	9,028	-	-	-	-	9,028
-	3,119	3,119	-	-	-	-	3,119
119,044	-	119,044	-	-	-	-	119,044
-	-	1,010,617	207,593	-	-	-	1,218,210
72,331	-	310,659	88,003	-	-	-	398,662
191,375	3,119	1,452,467	295,596	-	-	-	1,748,063
(131,176)	(3,119)	(62,927)	(31,315)	63	44	107	(94,135)
109,731	-	347,102	31,450	-	-	-	378,552
109,731	-	347,102	31,450	-	-	-	378,552
(21,445)	(3,119)	284,175	135	63	44	107	284,417
-	21,447	443,694	100,035	32,692	1,826	34,518	578,247
\$ (21,445)	\$ 18,328	\$ 727,869	\$ 100,170	\$ 32,755	\$ 1,870	\$ 34,625	\$ 862,664

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 1,500	\$ 1,500	\$ 2,068	\$ 568
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>2,068</u>	<u>568</u>
Expenditures:				
Current:				
Public Safety	1,500	1,500	1,016	484
Total Expenditures	<u>1,500</u>	<u>1,500</u>	<u>1,016</u>	<u>484</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>1,052</u>	<u>1,052</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>1,052</u>	<u>1,052</u>
Fund Balances - Beginning	<u>3,028</u>	<u>3,028</u>	<u>3,028</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 3,028</u>	<u>\$ 3,028</u>	<u>\$ 4,080</u>	<u>\$ 1,052</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues	\$ 1,146,020	\$ 1,146,020	\$ 1,205,751	\$ 59,731
Investment income	2,375	2,375	2,343	(32)
Total revenues	<u>1,148,395</u>	<u>1,148,395</u>	<u>1,208,094</u>	<u>59,699</u>
Expenditures:				
Current:				
Public Safety	79,394	79,394	-	79,394
Debt Service:				
Principal	988,000	976,635	1,010,617	(33,982)
Interest and other charges	256,637	268,002	238,328	29,674
Total Expenditures	<u>1,324,031</u>	<u>1,324,031</u>	<u>1,248,945</u>	<u>75,086</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(175,636)</u>	<u>(175,636)</u>	<u>(40,851)</u>	<u>134,785</u>
Other Financing Sources (Uses)				
Transfers in	237,368	237,368	237,371	(3)
Total other financing sources and uses	<u>237,368</u>	<u>237,368</u>	<u>237,371</u>	<u>(3)</u>
Net Change in Fund Balances	61,732	61,732	196,520	134,782
Fund Balances - Beginning	<u>393,324</u>	<u>393,324</u>	<u>393,324</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 455,056</u>	<u>\$ 455,056</u>	<u>\$ 589,844</u>	<u>\$ 134,782</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Impact fees/special assessments	\$ -	\$ -	\$ 25,373	\$ 25,373
Investment income	-	-	71	71
Total revenues	-	-	25,444	25,444
Net Change in Fund Balances	-	-	25,444	25,444
Fund Balances - Beginning	21,063	21,063	21,063	-
Fund Balances - Ending	\$ 21,063	\$ 21,063	\$ 46,507	\$ 25,444

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, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Impact fees/special assessments	\$ -	\$ -	\$ 48,806	\$ 48,806
Total revenues	-	-	48,806	48,806
Net Change in Fund Balances	-	-	48,806	48,806
Fund Balances - Beginning	4,779	4,779	4,779	-
Fund Balances - Ending	\$ 4,779	\$ 4,779	\$ 53,585	\$ 48,806

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 257	\$ 257
Total revenues	<u>-</u>	<u>-</u>	<u>257</u>	<u>257</u>
Expenditures:				
Current:				
Public Safety	-	8,000	8,012	(12)
Total Expenditures	<u>-</u>	<u>8,000</u>	<u>8,012</u>	<u>(12)</u>
Net Change in Fund Balances	-	(8,000)	(7,755)	245
Fund Balances - Beginning	<u>15,455</u>	<u>15,455</u>	<u>15,455</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 15,455</u>	<u>\$ 7,455</u>	<u>\$ 7,700</u>	<u>\$ 245</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ 44,672	\$ 44,672
Total revenues	-	-	44,672	44,672
Net Change in Fund Balances	-	-	44,672	44,672
Fund Balances - Beginning	6,045	6,045	6,045	-
Fund Balances - Ending	\$ 6,045	\$ 6,045	\$ 50,717	\$ 44,672

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2014

	<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>
Revenues:				
Charges for services	\$ 205,481	\$ 205,481	\$ 43,903	\$ (161,578)
Miscellaneous	20,451	20,451	16,296	(4,155)
Total revenues	<u>225,932</u>	<u>225,932</u>	<u>60,199</u>	<u>(165,733)</u>
Expenditures:				
Current:				
Culture and recreation	217,010	217,010	119,044	97,966
Debt Service:				
Interest and other charges	94,331	94,331	72,331	22,000
Total Expenditures	<u>311,341</u>	<u>311,341</u>	<u>191,375</u>	<u>119,966</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(85,409)</u>	<u>(85,409)</u>	<u>(131,176)</u>	<u>(45,767)</u>
Other Financing Sources (Uses)				
Transfers in	35,247	35,247	109,731	(74,484)
Total other financing sources and uses	<u>35,247</u>	<u>35,247</u>	<u>109,731</u>	<u>(74,484)</u>
Net Change in Fund Balances	(50,162)	(50,162)	(21,445)	(28,717)
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ (50,162)</u>	<u>\$ (50,162)</u>	<u>\$ (21,445)</u>	<u>\$ (28,717)</u>

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes and special assessments	\$ -	\$ -	\$ 264,187	\$ 264,187
Investment income	-	-	94	94
Total revenues	<u>-</u>	<u>-</u>	<u>264,281</u>	<u>264,281</u>
Expenditures:				
Debt Service:				
Principal	185,000	185,000	207,593	(22,593)
Interest and other charges	86,508	86,508	88,003	(1,495)
Total Expenditures	<u>271,508</u>	<u>271,508</u>	<u>295,596</u>	<u>(24,088)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(271,508)</u>	<u>(271,508)</u>	<u>(31,315)</u>	<u>240,193</u>
Other Financing Sources (Uses)				
Transfers in	271,554	271,554	31,450	(240,104)
Total other financing sources and uses	<u>271,554</u>	<u>271,554</u>	<u>31,450</u>	<u>(240,104)</u>
Net Change in Fund Balances	46	46	135	89
Fund Balances - Beginning	<u>100,035</u>	<u>100,035</u>	<u>100,035</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 100,081</u>	<u>\$ 100,081</u>	<u>\$ 100,170</u>	<u>\$ 89</u>



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FIDUCIARY FUNDS

Pension Trust Funds

General Employees' Pension Trust Fund

- Accounts for the accumulation of resources to be used for the retirement of all full-time employees, except police officers and firefighters. The City contributes an amount not less than 5% or not exceeding 15% of all eligible employees' compensation

Police Officers Pension Trust Fund

- Accounts for the accumulation of resources to be used for the retirement annuities of all police officers. The State contributes money based upon the number of police officers and the City contributes an amount determined by an actuarial study.

Firefighters Pension Trust Fund

- Accounts for the accumulation of resources to be used for the retirement annuities of all firefighters. The State contributes money based upon the number of firefighters and the City contributes an amount determined by an actuarial study.

CITY OF TAVARES, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

September 30, 2014

	Pension Trust Funds			Totals
	General Employees	Police Officers	Firefighters	
Assets:				
Cash and cash equivalents	\$ -	\$ 248,963	\$ 137,001	\$ 385,964
Receivables:				
Plan members contributions	-	4,715	-	4,715
Employer contribution receivable	-	29,057	94,932	123,989
Total receivables	-	33,772	94,932	128,704
Investments, at fair value:				
Exchange traded funds	-	5,804,750	3,170,150	8,974,900
Other pension mutual funds	1,666,804	3,784,564	1,967,850	7,419,218
Total Investments	1,666,804	9,589,314	5,138,000	16,394,118
Total assets	1,666,804	9,872,049	5,369,933	16,908,786
Liabilities:				
Accounts payable	-	-	40,397	40,397
Net Position:				
Held in trust for pension benefits	\$ 1,666,804	\$ 9,872,049	\$ 5,329,536	\$ 16,868,389

CITY OF TAVARES, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended September 30, 2014

	Pension Trust Funds			Total Pension Funds
	General Employees	Police Officers	Firefighters	
Additions:				
Contributions:				
Employer	\$ 36,553	\$ 319,388	\$ 301,669	\$ 657,610
Plan members	-	226,609	47,036	273,645
State	-	79,280	84,109	163,389
Total contributions	<u>36,553</u>	<u>625,277</u>	<u>432,814</u>	<u>1,094,644</u>
Investment income:				
Net increase (decrease) in fair value	148,961	765,831	403,558	1,318,350
Interest	-	182,469	95,353	277,822
Less: investment expense	-	(39,665)	(37,889)	(77,554)
Net investment income (loss)	<u>148,961</u>	<u>908,635</u>	<u>461,022</u>	<u>1,518,618</u>
Total additions	185,514	1,533,912	893,836	2,613,262
Deductions:				
Benefits/distributions	159,520	504,855	190,013	854,388
Total deductions	<u>159,520</u>	<u>504,855</u>	<u>190,013</u>	<u>854,388</u>
Change in net position	25,994	1,029,057	703,823	1,758,874
Net position - beginning	<u>1,640,810</u>	<u>8,842,992</u>	<u>4,625,713</u>	<u>15,109,515</u>
Net position - ending	<u>\$ 1,666,804</u>	<u>\$ 9,872,049</u>	<u>\$ 5,329,536</u>	<u>\$ 16,868,389</u>



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STATISTICAL SECTION



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STATISTICAL SECTION

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

CONTENTS PAGE

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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Governmental Activities Tax Revenues by Source	93
Fund Balances of Governmental Funds	94
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Revenue Capacity

These schedules contain information to help the reader assess the City's most significant revenue source, the property tax.

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Debt Capacity

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Direct and Overlapping Governmental Activities Debt	105
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Demographic and Economic Information

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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Principal Employers	109

Operating Information

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

Full-time Equivalent City Government Employees by Function/Program	110
Operating Indicators by Function/Program	111

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			
	2005	2006	2007	2008
Governmental activities				
Invested in capital assets, net of related debt	\$ 3,279,495	\$ 4,669,978	\$ 8,934,374	\$ 2,448,345
Restricted	211,443	330,686	443,735	8,892,713
Unrestricted	7,371,687	8,664,451	6,680,746	5,892,606
Total governmental activities net assets	<u>10,862,625</u>	<u>\$13,665,115</u>	<u>\$16,058,855</u>	<u>\$17,233,664</u>
Business-type activities				
Invested in capital assets, net of related debt	\$12,899,590	\$12,008,907	\$12,217,957	\$12,458,902
Restricted	3,473,860	3,473,963	3,879,231	3,560,828
Unrestricted	6,842,877	10,534,843	11,606,473	12,308,051
Total business-type activities net assets	<u>23,216,327</u>	<u>\$26,017,713</u>	<u>\$27,703,661</u>	<u>\$28,327,781</u>
Primary government				
Invested in capital assets, net of related debt	\$16,179,085	\$16,678,885	\$21,152,331	\$14,907,247
Restricted	3,685,303	3,804,649	4,322,966	12,453,541
Unrestricted	14,214,564	19,199,294	18,287,219	18,200,657
Total primary government net assets	<u>\$34,078,952</u>	<u>\$39,682,828</u>	<u>\$43,762,516</u>	<u>\$45,561,445</u>

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

2009	2010	2011	2012	2013	2014
\$11,503,013	\$12,286,623	\$13,351,075	\$14,093,258	\$14,032,686	\$16,498,925
559,256	378,453	1,415,179	895,131	800,365	1,223,655
4,528,925	4,265,666	1,863,858	1,248,400	1,630,371	(219,472)
<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>	<u>\$17,503,108</u>
\$13,570,146	\$15,382,496	\$17,448,142	\$16,899,453	\$18,123,311	\$18,478,622
4,263,939	4,356,923	4,442,498	4,763,265	5,209,216	5,910,482
10,986,019	10,646,671	9,036,191	9,136,698	8,125,750	9,705,339
<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>	<u>\$34,094,443</u>
\$25,073,159	\$27,669,119	\$30,799,217	\$30,992,711	\$32,155,997	\$34,977,547
4,823,195	4,735,376	5,857,677	5,658,396	6,009,581	7,134,137
15,514,944	14,912,337	10,900,049	10,385,098	9,756,121	9,485,867
<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>	<u>\$51,597,551</u>

CITY OF TAVARES, FLORIDA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 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	\$ 2,791,383
Public safety	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	5,731,360
Physical environment	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	2,266,877
Economic environment	**	**	**	474,877	421,225	374,745	418,481	298,767	1,187,237	1,711,442
Culture & recreation	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	2,394,261
Interest & other fiscal charges on long-term debt	297,182	282,156	260,827	536,771	565,029	527,574	486,329	506,674	462,912	416,484
Total governmental activities expenses	8,089,099	9,524,033	11,129,430	12,931,517	14,260,699	13,112,140	13,208,048	13,245,227	14,131,204	15,311,807
Business-type activities:										
Water & sewer	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	6,356,680
Sanitation	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	1,742,068
Stormwater	203,773	177,242	216,931	279,931	328,962	284,874	415,247	307,064	371,287	397,368
Seaplane Base	**	**	**	**	**	233,718	557,946	612,208	618,676	713,219
Total business-type activities expenses	5,736,778	6,706,865	7,433,754	7,626,575	7,679,551	7,799,141	8,226,809	9,630,328	8,860,931	9,209,335
Total primary government expenses	\$13,825,877	\$ 16,230,898	\$18,563,184	\$ 20,558,092	\$ 21,940,250	\$ 20,911,281	\$ 21,434,857	\$ 22,875,555	\$ 22,992,135	\$ 24,521,142
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 99,011	\$ 59,457	\$ 75,698	\$ 65,955	\$ 58,531	\$ 27,751	\$ 41,094	\$ 52,894	\$ 196,043	\$ 59,912
Public safety	202,640	222,568	245,810	228,874	207,377	73,610	86,891	39,959	1,539,220	1,628,198
Physical environment	1,915,290	1,789,975	851,806	553,083	284,376	291,976	322,005	621,449	552,983	775,432
Economic environment	**	**	**	7,300	17,764	16,972	15,616	13,587	11,150	6,525
Culture & recreation	118,977	114,576	136,235	172,487	112,981	113,901	149,546	108,420	119,784	188,132
Operating grants and contributions	474,772	826,303	498,532	546,080	590,825	594,877	637,199	550,470	514,832	639,973
Capital grants and contributions	236,372	7,584	187,448	625,773	443,670	706,155	165,656	84,396	784,073	1,710,293
Total governmental activities program revenues	3,047,062	3,020,463	1,995,529	2,199,552	1,715,524	1,825,242	1,418,007	1,471,175	3,718,085	5,008,465

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Water & Sewer	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	8,822,402
Solid Waste	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	2,672,040
Stormwater	286,507	305,611	311,354	457,742	457,742	513,257	525,369	537,093	661,120	797,195
Operating grants and contributions	37,332	-	-	-	-	432,765	213,389	317,439	432,765	191,588
Capital grants and contributions	2,262,995	1,837,338	589,958	219,348	796,124	1,751,379	963	3,384	62,437	473,635
Total business-type activities program revenues	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	12,956,860
Total government program revenues	<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>	<u>\$ 17,965,325</u>
Net (expense)/revenue	-	-	-	-	-	-	-	-	-	-
Governmental activities	\$ (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)	\$ (10,303,342)
Business-type activities	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	4,089,039
Total government net expense	<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>	<u>\$ (6,214,303)</u>

General Revenues and Other Changes in Net Assets

Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 4,096,418
Franchise and utility taxes	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	3,005,572
Intergovernmental	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	2,388,459
Investment earnings	474,267	776,602	638,466	167,850	167,850	180,471	130,853	116,209	167,118	221,333
Transfers	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	1,631,246
Total governmental activities	<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>	<u>11,343,028</u>
Business-type activities:										
Investment earnings	243,663	560,070	750,850	77,214	77,214	82,139	83,308	43,878	9,589	178,373
Transfers	(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)	(1,631,246)
Total business-type activities	<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>	<u>(1,452,873)</u>
Total government	<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>	<u>\$ 9,890,155</u>

Change in Net Assets

Governmental activities	\$ 3,229,679	\$ 2,802,490	\$ 2,393,740	\$ 1,164,826	\$ (642,470)	\$ 339,548	\$ (300,630)	\$ (393,323)	\$ 226,633	\$ 1,039,686
Business-type activities	2,120,041	2,801,386	1,685,948	(67,557)	492,323	1,565,986	540,741	(127,415)	1,321,028	2,636,166
Total government	<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>	<u>\$ 3,675,852</u>

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



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CITY OF TAVARES, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE¹
LAST TEN FISCAL YEARS

(accrual basis of accounting)

Fiscal Year	Property Taxes	Franchise Fees	Utility Taxes	Total Taxes
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 ¹	7,270,330
2012	4,230,824	973,992	1,788,437	6,993,253
2013	3,747,879	946,590	1,912,286	6,606,755
2014	4,096,418	1,033,254	1,972,318	7,101,990

¹ 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund				
Reserved	\$ 3,370	\$ 2,344	\$ 5,038	\$ 6,851
Unreserved	4,338,499	5,457,407	4,174,174	3,163,338
Total general fund	<u>\$ 4,341,869</u>	<u>\$ 5,459,751</u>	<u>\$ 4,179,212</u>	<u>\$ 3,170,189</u>
All other governmental funds				
Reserved	\$ 211,443	\$ 330,952	\$ 475,695	\$ 354,727
Unreserved, reported in:				
Special revenue funds	5,312,172	3,464,535	2,729,220	2,740,750
Capital projects funds	-	-	-	8,569,809
Permanent funds	1,708	1,927	2,382	1,873
Total all other governmental funds	<u>\$ 5,525,323</u>	<u>\$ 3,797,414</u>	<u>\$ 3,207,297</u>	<u>\$ 11,667,159</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					
2009	2010	2011	2012	2013	2014
\$ 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>\$ -</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>
		<u>Post GASB 54</u>	<u>Post GASB 54</u>	<u>Post GASB 54</u>	<u>Post GASB 54</u>
		2011	2012	2013	2014
		\$ 265,386	\$ 318,063	\$ 537,904	\$ 540,551
		-	-	-	-
		244,875	-	112,624	-
		1,475,998	1,056,371	574,823	645,630
		<u>\$ 1,374,434</u>	<u>\$ 1,374,434</u>	<u>\$ 1,225,351</u>	<u>\$ 1,186,181</u>
		\$ 29,570	\$ 29,570	\$ 567,199	\$ 569,846
		3,174,339	3,205,475	3,533,635	1,194,360
		147,081	-	-	-
		-	-	112,624	-
		-	-	574,523	(957,583)
		<u>\$ 3,350,990</u>	<u>\$ 3,235,045</u>	<u>\$ 4,787,981</u>	<u>\$ 806,623</u>

CITY OF TAVARES, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
<u>Revenues</u>				
Taxes	\$ 4,405,644	\$ 5,099,570	\$ 6,318,078	\$ 7,376,717
Licenses and permits	1,950,426	1,825,939	891,925	594,510
Intergovernmental	2,909,579	3,223,219	4,138,746	3,751,360
Charges for services	142,103	138,070	155,752	178,355
Fines and forfeitures	87,757	99,372	161,784	71,279
Impact fees/assessments	111,977	123,195	100,088	183,554
Investment earnings	264,883	557,181	518,555	331,009
Miscellaneous	209,384	219,421	119,911	189,512
Total Revenues	<u>10,081,753</u>	<u>11,285,967</u>	<u>12,404,839</u>	<u>12,676,296</u>
<u>Expenditures</u>				
General government	1,650,822	1,888,047	2,316,117	2,505,907
Public safety	3,619,397	3,795,701	5,485,795	5,558,519
Physical environment	2,091,293	4,530,057	4,343,445	3,025,680
Economic environment	-	-	-	595,986
Culture & recreation	1,566,123	1,989,992	2,198,206	2,771,300
Capital outlay ¹	-	-	-	-
Debt service				
Principal	706,927	757,993	789,436	811,151
Interest	297,183	282,156	260,827	486,944
Bond issuance costs	-	-	-	-
Total expenditures	<u>9,931,745</u>	<u>13,243,946</u>	<u>15,393,826</u>	<u>15,755,487</u>
Excess of revenues over (under) expenditures	150,008	(1,957,979)	(2,988,987)	(3,079,191)
<u>Other financing sources (uses)</u>				
Bond and note proceeds	-	-	-	8,900,000
Capital lease proceeds	-	307,396	-	200,000
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	1,560,494	1,320,699	1,389,418	10,862,352
Transfers out	(277,583)	(280,143)	(271,087)	(9,432,322)
Total other financing sources (uses)	<u>1,282,911</u>	<u>1,347,952</u>	<u>1,118,331</u>	<u>10,530,030</u>
Net change in fund balances	<u>\$ 1,432,919</u>	<u>\$ (610,027)</u>	<u>\$ (1,870,656)</u>	<u>\$ 7,450,839</u>
Debt service as a percentage of noncapital expenditures	<u>13.04%</u>	<u>12.03%</u>	<u>10.33%</u>	<u>10.25%</u>

Note:

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

2. Debt service reported in fiscal year 2012 includes debt service payoff for refinancing the Wootton Park Capital Note 2008

2009	2010	2011	2012	2013	2014
\$ 8,020,036	\$ 7,898,924	\$ 7,414,935	\$ 6,993,253	\$ 6,245,728	\$ 7,101,990
326,424	333,696	366,984	666,440	598,465	810,072
2,976,596	3,239,627	3,033,726	3,230,521	1,609,419	4,738,725
142,389	102,559	154,119	122,236	257,096	1,807,454
61,931	61,092	94,049	47,633	31,236	40,673
150,285	26,864	-	-	-	-
48,503	62,727	26,596	29,079	2,345	7,290
119,347	117,744	104,257	87,130	139,638	214,043
<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>	<u>14,720,247</u>
2,622,842	2,486,462	2,452,401	2,581,504	2,513,661	2,686,306
5,565,968	5,106,502	5,555,549	5,319,872	5,608,773	6,272,625
2,431,626	2,616,081	1,983,795	1,931,000	1,716,197	1,743,596
424,454	373,808	413,677	292,110	945,145	1,706,500
3,877,686	6,534,385	2,382,151	2,241,657	2,252,865	2,287,092
-	-	-	2,908,290	-	4,438,507
-	-	-	-	-	-
845,963	1,090,935	1,130,581	7,757,136	1,092,814	1,244,506
565,029	529,359	488,180	510,966	446,526	418,679
-	-	-	-	-	-
<u>16,333,568</u>	<u>18,737,532</u>	<u>14,406,334</u>	<u>23,542,535</u>	<u>14,575,981</u>	<u>20,797,811</u>
(4,488,057)	(6,894,299)	(3,211,668)	(12,366,243)	(5,692,054)	(6,077,564)
-	-	-	9,830,000	2,750,000	-
-	-	-	132,861	-	464,960
-	-	-	-	-	-
2,344,891	2,032,372	2,275,150	5,587,172	6,420,880	3,835,724
(572,173)	(423,917)	(562,398)	(3,911,560)	(4,808,772)	(2,204,478)
<u>1,772,718</u>	<u>1,608,455</u>	<u>1,712,752</u>	<u>11,638,473</u>	<u>4,362,108</u>	<u>2,096,206</u>
-	-	-	-	-	-
<u>\$ (2,715,339)</u>	<u>\$ (5,285,844)</u>	<u>\$ (1,498,916)</u>	<u>\$ (727,770)</u>	<u>\$ (1,329,946)</u>	<u>\$ (3,981,358)</u>
<u>10.42%</u>	<u>12.92%</u>	<u>15.80%</u>	<u>42.00%</u>	<u>11.81%</u>	<u>11.32%</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
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%
2014	549,971,614	342,082,344	62.20%	163,341,569	29.70%

Note: ** Data not available

Note: *Excludes Centrally Assessed Properties*

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%
48,090,004	151,848,139	810,116,659	6.2500	810,116,659	100%
147,000,980	182,149,234	676,263,560	6.9500	676,263,560	100%
40,657,563	294,384,352	625,512,364	6.8900	625,512,364	100%
50,236,989	363,111,842	592,010,315	5.9850	592,010,315	100%
52,128,871	367,031,678	557,552,784	6.4531	557,552,784	100%

CITY OF TAVARES, FLORIDA

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

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 ³	Total County Millage	Operating Millage	Capital Outlay	Total School Millage				
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	0.4612	4.7309	0.1101	0.8206	5.6616	5.8200	1.5740	7.3940	1.0000	0.2405	0.3313	21.9786
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
2014	6.4531	0.4533	4.7309	0.1900	1.2059	6.1268	4.9220	2.2480	7.1700	1.0000	0.2554	0.3283	21.7869

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, 2014

Taxpayer	2014			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lakeview Crest LLC	\$ 10,819,070	1	1.80%			
Sumter Electric	6,291,051	2	1.04%			
Embarq-Florida Inc	5,028,906	3	0.83%			
Cole Ko Tavares LLC	4,619,768	4	0.77%			
GW Schultz Tool Company Inc	3,911,878	5	0.65%			
Stag III Tavares LLC	3,839,975	6	0.64%			
Duke Energy	3,722,141	7	0.62%			
Tarmac America LLC	3,125,560	8	0.52%			
BLC Tavares-GC LLC	3,087,942	9	0.51%			
84SLB1 LLC	2,981,629	10	0.49%			
Florida Hospital Waterman				\$ 17,395,324	1	5.21%
Pringle Properties, Inc.				5,384,620	2	1.61%
LSP Investments Inc.				3,342,300	3	1.00%
Tavares Center Associates				3,186,041	4	0.95%
Tavares Associate, Inc.				3,134,443	5	0.94%
United Partners Group LTD				2,724,238	6	0.82%
Nationwide Health Properties				2,257,196	7	0.68%
Zellwin Farms Company				2,156,780	8	0.65%
Florida Motels, Inc.				1,951,704	9	0.58%
Holiday, Ltd.				1,865,734	10	0.56%
Totals	<u>\$ 47,427,920</u>		<u>7.87%</u>	<u>\$ 43,398,380</u>		<u>13.00%</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
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%
2014	4,277,136	3,723,940	87.07%	108,291	3,832,231	89.60%

Note: Excludes Voted Debt Service Levy

CITY OF TAVARES, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita
	Bonds Payable ³	Notes Payable ²	Capital Leases	Water Revenue Bonds	State Revolving Loan	Capital Lease			
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
2014	-	14,439,750	67,909	6,665,000	25,867,535	457,319	47,497,513	8.75%	3,380

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, Capital Improvement Revenue Note 2014.

CITY OF TAVARES, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities	
	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value ¹ of Property	Per Capita
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
2014	2,938,000	45,326	2,892,674	**	203

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, 2014

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt:			
Lake County General Obligation Debt ²	\$ 24,220,000	4%	\$ 968,800
Subtotal, overlapping debt			
Direct Debt:			
City of Tavares General Obligation Debt ³	2,938,000	100%	2,938,000
Total direct and overlapping debt	<u>\$ 27,158,000</u>		<u>\$ 3,906,800</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 fiscal year 2012.

CITY OF TAVARES, FLORIDA

LEGAL DEBT MARGIN

September 30, 2014

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

CITY OF TAVARES, FLORIDA

REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
WATER AND SEWER FUND

Fiscal Year	Water/Sewer Gross ¹ Revenues	Less: Operating ² Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2014	8,942,915	3,907,264	5,035,651	691,744	502,119	1,193,863	4.22

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>
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%
2014	14,582	542,815	37,225	52.5	13.13	43,925	5.5%

Sources:

1. Per Capital Income: City-Data.com (2012, most recent information available)
2. Median age - City-Data.com
3. School enrollment Lake County Schools, Florida Department of Education
4. Population: Metro Orlando Economic Development Center
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	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake County Public Schools	5,435	1	15.53%	4,353	1	**
Florida Hospital Waterman ³	1,482	2	4.23%	1,400	2	**
Lake County Sheriff's Office ⁴	700	3	2.00%	687	4	**
Lake County Board of County Commissioners	729	4	2.08%	770	3	**
Cornerstone Hospice	468	5	1.34%	468	6	**
Lake County Clerk of Court ⁴	212	6	0.61%	**	7	**
Sunstate Carriers ⁵	184	7	0.53%	82	9	**
City of Tavares	165	8	0.47%	154	8	**
Winn-Dixie ⁵	115	9	0.33%	**	**	**
Lake County Tax Collector ⁴	68	10	0.19%	61	10	**
Total	<u>9,558</u>		<u>27.31%</u>			

Source: City of Tavares Economic Development Department

Notes:

1. The City of Tavares has an estimated functional population (daytime) of 9,398 with approximately 752 business establishments as of 9/30/2005. Tindale-Oliver & Assoc., Inc. Impact Fee Study September 2006. Business establishments - City of Tavares business license database.
2. ** Data not available until 2006
3. Lake County, Florida, CAFR FY 2014
4. Lake County Annual Budget FY 2014
5. City of Tavares Department of Economic Development

CITY OF TAVARES, FLORIDA

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	28	27	29	31	30	29	28	28	28	28
Public safety										
Police										
Sworn officers	24	24	27	31	31	29	29	28	36	26
Non-sworn officers	-	-	-	-	-	1	1	1	-	-
Civilians ^{1 & 2}	2	2	11	11	11	9	9	11	3	3
Fire										
Firefighters & officers	18	18	24	21	21	21	21	23	23	24
Civilians	-	1	1	1	1	1	1	1	1	1
Physical environment	7	7	7	14	11	8	7	7	7	7
Economic development	**	**	**	2	2	2	2	2	2	2
Marina/Prop Shop	**	**	**	**	**	**	6	6	5	5
Water/Wastewater/SW	25	32	33	31	31	29	30	29	30	32
Solid Waste ³	7	8	8	8	8	7	7	6	7	7
Culture & recreation	26	28	29	28	27	25	25	24	24	26
Total	137	147	169	177	172	161	164	164	165	160

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Auto accidents	**	489	398	584	626	557	541	541	604	578
Physical arrests	**	351	342	314	333	270	398	352	252	354
Criminal investigations conducted	**	820	354	293	374	259	180	185	262	227
Total calls for service	**	24,875	31,557	36,108	33,412	30,697	27,222	21,704	19,318	21,317
911 calls received ¹	**	**	3,689	4,108	4,063		3,912	3,751	1,830	915
Evidence processed (pieces)	**	**	**	**	**	**	**	**	**	**
Public education programs	**	**	**	100	**	**	**	**	**	**
Medical responses	**	**	1,193	2,057	2,046	2,214	2,131	3,009	3,325	3,549
Community Development										
Total permits issued	**	1,335	953	858	1,148	1,052	419	679	1,170	1,318
Construction inspections	**	7,549	2,003	2,495	1,650	2,611	1,642	2,081	3,634	3,666
Physical Environment										
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	19,398
Culture and Recreation										
Sports complex ball games & field rentals	**	**	680	655	765		496	509	518	685
Library cards issued	1,678	1,844	1,762	1,615	1,616	1,189	1,129	1,234	1,233	1,309
Water/Wastewater										
New connections	1,032	748	375	192	152	112	596	393	273	336
Number of customers	6,624	7,426	6,419	6,405	6,120	7,011	7,067	7,128	7,452	7,504
Water main breaks	**	10	0	9	3	8	10	4	12	9
Average daily consumption (millions of gallons)	**	3	3	3	3	3	3	3	3	3
Meter reads	7,269	8,141	8,380	8,753	8,876	8,909	8,982	9,088	9,277	9,432
General Government										
Employment applications received	**	521	829	729	698	829	626	357	292	482
Personnel actions processed	**	275	307	345	242	307	40	40	191	207
Legal notices published	138	184	87	44	27	68	39	39	34	56
Occupational licenses issued	752	772	861	938	956	976	995	956	965	969
Accidents and injuries reviewed	**	18	15	12	14	15	14	39	17	11
Land use amendments and rezonings	18	23	15	25	13	22	6	18	12	14
License/Permit reviews	**	**	1,650	876	579	1,218	722	1,150	1,150	1,107
Employees paid	**	224	203	198	185	203	207	200	208	204
Checks deposited	67,924	65,301	63,410	58,533	57,098	35,411	40,352	53,880	45,321	46,518
A/P Checks issued	5,427	5,457	6,602	5,812	5,653	5,397	5,235	5,419	5,174	5,651
Purchase orders/processed	3,453	3,549	4,272	4,827	4,390	4,388	4,254	4,400	4,461	4,966

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

**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, 2014, 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, 2015.

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, material weaknesses may exist that have not been identified.

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*.

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, 2015

**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, 2014. 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.

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

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, 2014.

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, 2015

CITY OF TAVARES, FLORIDA

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

Year Ended September 30, 2014

Award type				
Grantor	CFDA/ CFSA	Contract/ Grant	Number	Expenditures
Pass-through grantor	Number	Number		
Program title				
Federal Awards				
United States Department of Housing and Urban Development				
passed through Board of County Commissioners, Lake County, Florida				
Community Development Block Grant	14.218			\$ 9,000
United States Department of Homeland Security				
passed through Florida Division of Emergency Management				
Emergency Operations Center Grant *	97.052	12-DS-8Z-06-45-01		359,593
United States Department of Justice				
passed through Florida Department of Law Enforcement				
Edward Byrne Memorial Justice Program Grant	16.738	2014-JAGD-3-E5-202		5,594
Edward Byrne Memorial Justice Program Grant	16.738	2014-JAGD-3-E6-112		1,993
United States Federal Railroad Administration				
Railroad Track Rehabilitation *	20.320	FR-LRI-0053-13-01-00		1,318,436
Total expenditures of federal awards				<u>\$ 1,694,616</u>
State Awards				
State of Florida, Department of Environmental Protection				
Wastewater Treatment Facility Construction (Phase II) *	37.077	350920		\$ 830,909
Major Sewer Rehabilitation *	37.077	350900		4,154,400
Potable Water Distribution System Upgrade *	37.076	350930		4,515,512
passed through St. Johns River Water Management District				
Water Protection and Sustainability Program Trust Fund (WPSPTF)	37.066	WPSP Agreement #26571		95,420
State of Florida, Department of Economic Opportunity				
Growth Management Implementation	40.024			25,000
State of Florida, Department of Health				
Florida EMS Matching Grant Program	64.003			2,255
State of Florida, Department of Transportation				
State Road 19 Sidewalk Design	N/A	JPA ARC73		24,408
Total expenditures of state financial assistance				<u>\$ 9,647,904</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, 2014

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes both the federal and state grant activity of the City of Tavares, Florida (the City) under programs of both the federal and state governments for the year ended September 30, 2014. 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, 2014, 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, 2014

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), Emergency Operations Center Grant (CFDA 97.052), 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 \$300,000.
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

Report on the Financial Statements

We have audited the financial statements of the City of Tavares, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 24, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for each Major Federal Program and Major State Project and Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

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

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Tavares, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Tavares did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Tavares'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.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the *City of Tavares* for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., 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.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the commissioners, 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, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and City Council
City of Tavares, Florida

We have examined City of Tavares's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, City of Tavares complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

McDirmit Davis & Company, LLC

Orlando, Florida
June 24, 2015

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

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, 2014 and have issued our report thereon dated June 24, 2015. 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 September 8, 2014, 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, 2015

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 Tavares 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) No. 67. 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, 2015.

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, 2015

CITY OF TAVARES
Comprehensive Annual Financial Report
FY 2013 - 2014

