

CITY OF TAVARES, FLORIDA
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2015



BUILDING ON AN HISTORIC FOUNDATION





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City of Tavares, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended September 30, 2015

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, 2015

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May 19, 2016

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, 2015.

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, 2015. 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 solid waste 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 5.49% 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, a decrease in mortgage foreclosure activity, and new construction. The millage rate was increased from 6.4531 mills in the prior fiscal year to 6.7283 mills in fiscal year 2015. This increase was due to additional expenditure requirements to maintain service levels to residents.

The unemployment rate for Lake County at September 30, 2015 was reported at 5.2%. This compares to the state unemployment rate of 5.1% and the national rate of 5.1%. Although increases in occupational licenses issued were somewhat higher than the prior year, new business applications levels again remained constant for the year ended September 30, 2015 indicating a constant level of growth in the creation of new businesses.

The total number of new construction permits increased substantially in 2015 as the City issued 200 permits for new homes compared to 144 in the prior year. In addition the City issued 3 permits for new commercial construction. Impact fee waivers for new construction was 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 finalized the Pavilion Project in the current fiscal year 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. Design for the project has been completed, and the improvements are currently being bid. The referendum provides for a separate debt service millage for repayment of the debt.

The final improvement to the Wootton 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 was completed during 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.

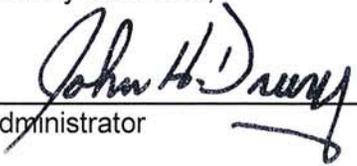
The City's vision and Master Plan for the downtown and Community Redevelopment District include replacement and upgrading of water and sewer infrastructure which are needed to support a vibrant business community. During fiscal year 2013, the City secured low-interest State Revolving Loan Funds (SRF) for the improvements, and construction began in June 2013 with completion scheduled for the first months of fiscal year 2016.

The City's gateway roadways, Alfred Street and Caroline Street, received a complete make-over which includes one-way pair realignment, sidewalks, and lighting. The project was funded by Lake County. During fiscal year 2016, the City will provide streetscape improvements for Caroline Street; Alfred Street Streetscape improvements are scheduled for fiscal year 2017. In addition wayfinding signs were installed on the City's gateways for easy access to America's Seaplane City with additional signage planned for fiscal year 2016.

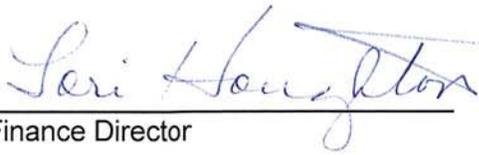
The preparation of this report would not have been possible without the efficient and

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 unfailing support for maintaining the highest standards of professionalism in the management of the City of Tavares's finances.

Respectfully submitted,



City Administrator



Finance Director

CITY OF TAVARES, FLORIDA

LIST OF PRINCIPAL OFFICIALS

Year Ended September 30, 2015

MAYOR

Kirby Smith

CITY COUNCIL

Bob Grenier, Vice Mayor

Robert Speaks

Lori Pfister

Lisa Johnson

CITY ADMINISTRATOR

John Drury

CITY CLERK

Nancy Barnett

CITY ATTORNEY

Robert Q. Williams

FINANCE DIRECTOR

Lori Houghton

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, 2015, 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, 2015, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, fire assessment fund, and greater downtown TIF district fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MCDIRMIT DAVIS & COMPANY, LLC

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 state financial assistance (the Schedule) is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements. The combining and individual 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 May 19, 2016, 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
May 19, 2016

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, 2015. 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 \$49,428,443 (net position). Of this amount, \$3,711,428 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,687,375.
- As of the close of the current fiscal year, the City of Tavares governmental funds reported combined ending fund balances of \$(443,754), a decrease of \$1,250,377 in comparison with the prior year.
- The General Fund experienced a decrease of \$142,682 in fund balance for the fiscal year and ended the year with a fund balance of \$1,043,499. Only \$396,676, or 38%, in unassigned and available for spending at the City's discretion.
- The Capital Project Fund experienced an increase of \$1,241,571 in fund balance for the fiscal year; which was attributed to transfers in from other funds to relieve interfund balances.

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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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).

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).

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 twelve governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Tavares adopts an annual appropriated budget for all of its governmental funds except for the permanent funds. Budgetary comparison statements have been provided for the general fund, the fire assessment special revenue fund, and the greater downtown TIF special revenue fund to demonstrate compliance with this budget at page 20 - 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 position 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 \$49,428,443 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**

	Governmental Activities		Business Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:						
Current and Other Assets	\$ 1,819,184	\$ 3,489,691	\$ 19,462,282	\$ 19,674,428	\$ 21,281,466	\$ 23,164,119
Capital Assets	32,752,730	31,660,201	55,066,526	51,708,373	87,819,256	83,368,574
Total assets	34,571,914	35,149,892	74,528,808	71,382,801	109,100,722	106,532,693
Total Deferred Outflows of Resources						
	1,803,672	-	379,616	41,212	2,183,288	41,212
Liabilities:						
Long-term Liabilities Outstanding	19,397,412	15,374,322	37,746,718	33,457,530	57,144,130	48,831,852
Other Liabilities	2,315,656	2,272,462	1,482,111	3,872,040	3,797,767	6,144,502
Total liabilities	21,713,068	17,646,784	39,228,829	37,329,570	60,941,897	54,976,354
Total Deferred Inflows of Resources						
	729,362	-	184,308	-	913,670	-
Net Position:						
Net Investment in Capital Assets	19,011,685	16,498,925	19,175,272	18,478,622	38,186,957	34,977,547
Restricted	1,276,753	1,223,655	6,253,305	5,910,482	7,530,058	7,134,137
Unrestricted	(6,355,282)	(219,472)	10,066,710	9,705,339	3,711,428	9,485,867
Total net position	\$ 13,933,156	\$ 17,503,108	\$ 35,495,287	\$ 34,094,443	\$ 49,428,443	\$ 51,597,551

Seventy five percent (75%) 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 position (15%) represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position of \$3,711,428 may be used to meet the government's ongoing obligations to citizens and creditors.

A prior period adjustment was recorded in 2015 to adjust the beginning balance of governmental and business-type activities due to the implementation of GASB 68.

The City's net position increased \$3,687,375 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues -						
Charges for services	\$ 3,098,368	\$ 2,658,199	\$12,231,197	\$12,633,151	\$15,329,565	\$15,291,350
Operating grants and contributi	539,779	639,973	6,412	191,588	546,191	831,561
Capital grants and contribution	532,984	1,710,293	851,788	473,635	1,384,772	2,183,928
General revenues -						
Property taxes	4,485,134	4,096,418	-	-	4,485,134	4,096,418
Franchise and utility taxes	2,944,299	3,005,572	-	-	2,944,299	3,005,572
Intergovernmental	2,586,042	2,388,459	-	-	2,586,042	2,388,459
Investment income and miscellaneous	148,756	221,333	31,644	178,373	180,400	399,706
Total revenues	<u>14,335,362</u>	<u>14,720,247</u>	<u>13,121,041</u>	<u>13,476,747</u>	<u>27,456,403</u>	<u>28,196,994</u>
Expenses:						
General government	4,037,720	2,790,618	-	-	4,037,720	2,790,618
Public safety	5,812,508	5,731,360	-	-	5,812,508	5,731,360
Physical environment	2,228,153	2,267,642	-	-	2,228,153	2,267,642
Economic environment	510,033	1,711,442	-	-	510,033	1,711,442
Culture and recreation	1,816,003	2,394,261	-	-	1,816,003	2,394,261
Interest on long-term debt	381,845	416,484	-	-	381,845	416,484
Water and sewer	-	-	6,190,916	6,356,680	6,190,916	6,356,680
Solid waste	-	-	1,687,934	1,742,068	1,687,934	1,742,068
Stormwater	-	-	461,110	397,368	461,110	397,368
Seaplane base	-	-	642,806	713,219	642,806	713,219
Total expenses	<u>14,786,262</u>	<u>15,311,807</u>	<u>8,982,766</u>	<u>9,209,335</u>	<u>23,769,028</u>	<u>24,521,142</u>
Increase (Decrease) in Net Position Before Transfers	(450,900)	(591,560)	4,138,275	4,267,412	3,687,375	3,675,852
Transfers	<u>1,701,503</u>	<u>1,631,246</u>	<u>(1,701,503)</u>	<u>(1,631,246)</u>	<u>-</u>	<u>-</u>
Increase in Net Position	1,250,603	1,039,686	2,436,772	2,636,166	3,687,375	3,675,852
Net Position - Beginning	17,503,108	16,463,422	34,094,443	31,458,277	51,597,551	47,921,699
Prior Period Adjustment	<u>(4,820,555)</u>	<u>-</u>	<u>(1,035,928)</u>	<u>-</u>	<u>(5,856,483)</u>	<u>-</u>
Net Position - Ending	<u>\$13,933,156</u>	<u>\$17,503,108</u>	<u>\$35,495,287</u>	<u>\$34,094,443</u>	<u>\$49,428,443</u>	<u>\$51,597,551</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Governmental activities - Governmental activities increased the City of Tavares's net position by \$1,250,603. Key elements of this increase are as follows:

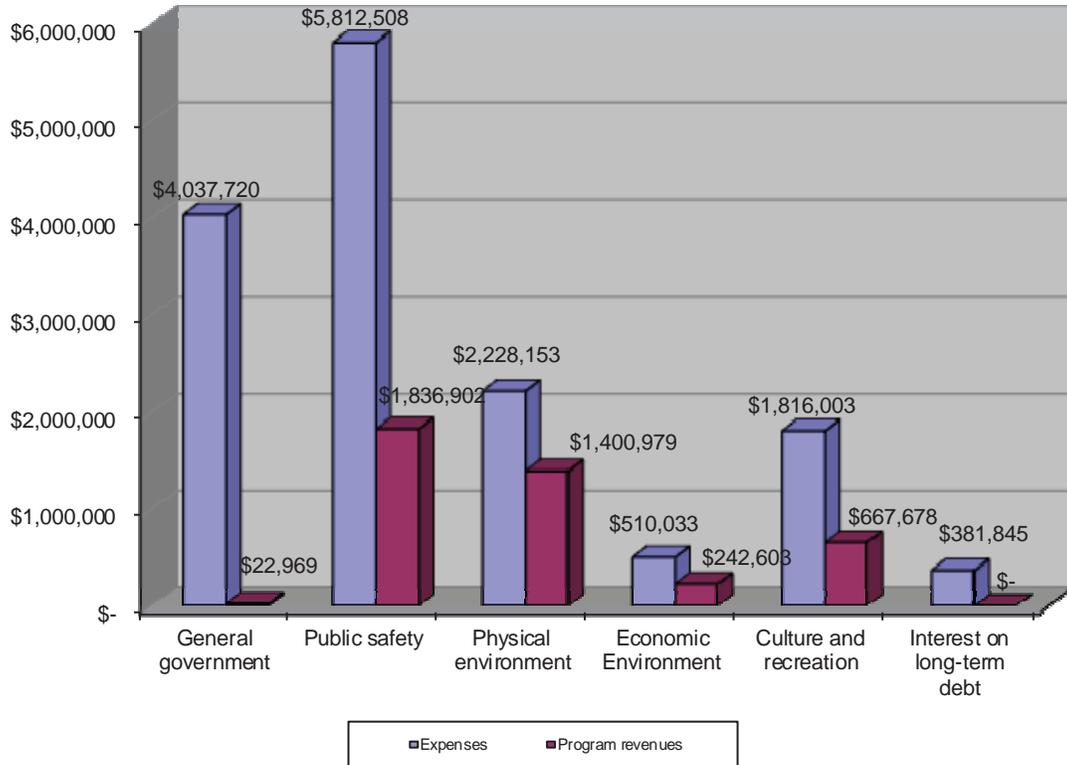
- Property taxes increased by \$388,716 (10%) during the year.
- Capital grants decreased by \$1,177,309 primarily because of grant funding in 2014 from the Federal Railroad Administration (FRA) for upgrades and rehabilitation of railroad serving Lake and Orange Counties and funding from the Department of Homeland Security for the construction of a new Emergency Operations Center.
- Expenses decreased across the various functional activities by \$525,545 (3%) primarily due to expenses related to upgrades to railroad mentioned above.

Business-type activities - Overall, net position increased by \$2,436,772 (8%) from business-type activities during the current year. Unrestricted net position of the business-type activities at the end of the year amounted to \$10,066,710. The City continued two major distribution 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:

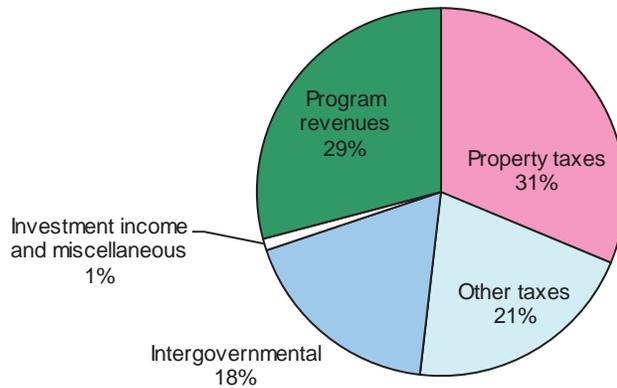
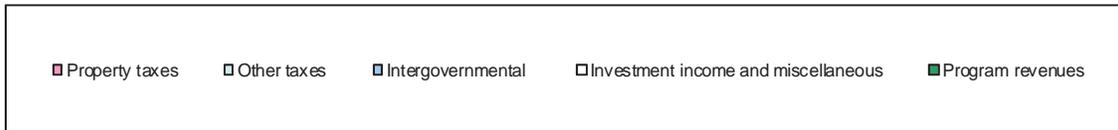
- Total revenues for all business-type activities decreased by \$355,706 (3%), primarily in charges for services in all business-type funds.
- Revenues from impact fee collections increased by \$378,153 due to ending incentives related to impact fees.
- Operating expenses for all business-type activities decreased over the prior fiscal year by \$226,569 (2%).

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Expenses and Program Revenues - Governmental Activities

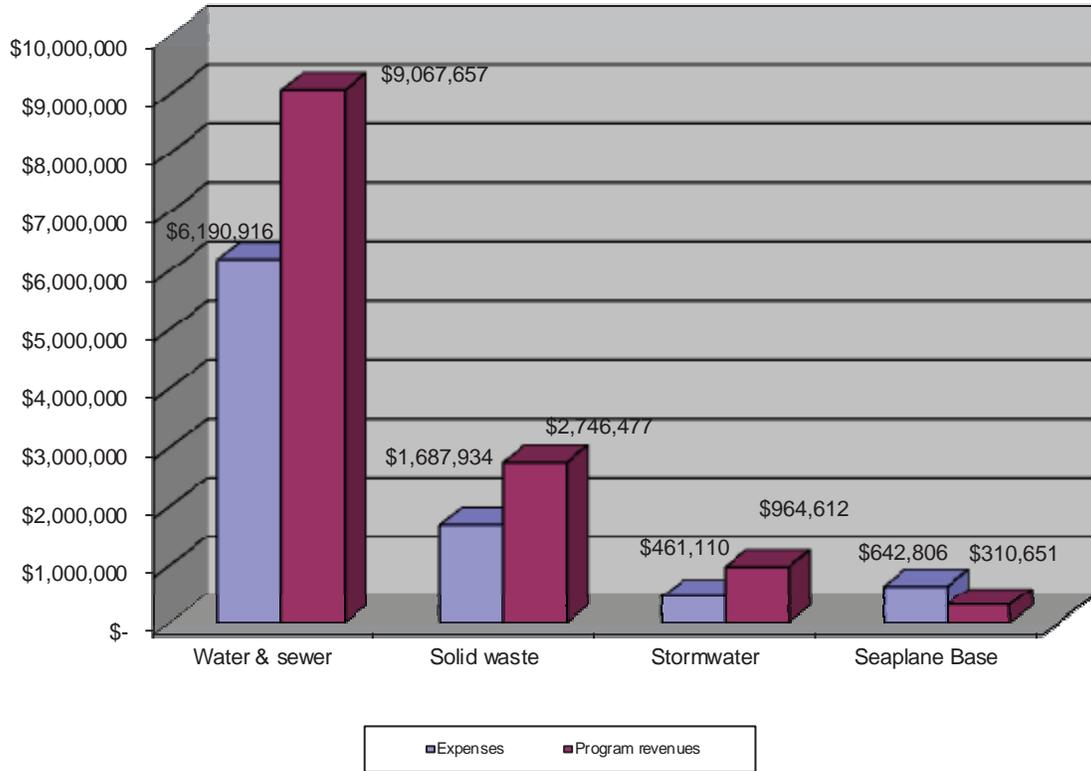


Revenues by Source - Governmental Activities

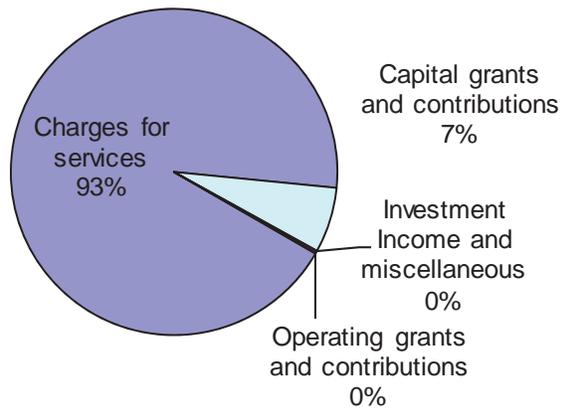


MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 \$(443,754), a decrease of \$1,250,377 in comparison with the prior year. Unassigned fund balance is negative, \$(2,367,330) due to spending in the capital projects fund for the land acquired in downtown. These projects were funded through debt financing and internal loans. 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 (\$91,973), 2) to fund public safety expansion projects (\$254,598), 3) to fund various capital projects (\$505,981), and 4) to fund culture and recreation expansion projects (\$219,214). In addition, fund balance includes nonspendable amounts (\$646,823), and non-expendable trusts (\$29,295). The majority of the non spendable balance, \$636,981, 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 \$396,676 while total fund balance was \$1,043,499. 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 3% of total general fund expenditures, while total fund balance represents 8% of that same amount.

The fund balance of the general fund decreased by \$142,682 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 \$175,692 which is restricted to public safety expenditures. The fund deficit of the Greater Downtown TIF District was \$355,844, which is a decrease of \$381,053.

The fund balance in the general government capital projects fund increased by \$1,241,571. This increase is due to transfers in from other funds.

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 \$10,066,710. Total net position for proprietary funds increased by \$2,436,772 (8%). 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 \$88,013 while original estimated revenues decreased by \$34,522. Revenue estimates decreased in property tax revenue, thus estimated appropriations from fund balance increased by \$171,901 from original estimates. Increase in budgeted expenditures was primarily in the public safety function. During the year, actual revenues were less than budgetary estimates by \$82,470, and expenditures were less than budgetary estimates by \$222,549. The reasons for the increase in appropriations can be briefly summarized as follows:

- \$198,766 in increases was anticipated for public safety activities due to additional overtime requirements and pension contributions.
- \$103,728 in increases was anticipated for public safety activities due to equipment purchases.

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, 2015 amounts to \$87,819,256 (net of accumulated depreciation/amortized costs). This investment in capital assets includes land, intangible assets, buildings, improvements/infrastructure, and machinery and equipment. An increase of 5% 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, 2015. 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 capital distribution lines. The city has neared completion of Phases 1, 2, and 3 of the project.
- The purchase of land located in downtown.
- Construction of improvements to Sunset View water system funded by new debt issued during 2015.

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

	Governmental Activities		Business Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 6,304,327	\$ 5,213,405	\$ 491,760	\$ 438,364	\$ 6,796,087	\$ 5,651,769
Intangible Assets	18,631	32,481	27,822	35,436	46,453	67,917
Buildings & Improvements	4,534,831	3,576,793	36,818,659	26,673,344	41,353,490	30,250,137
Improvements/Infrastructure	13,800,032	13,204,762	-	-	13,800,032	13,204,762
Machinery and Equipment	1,200,103	1,102,864	1,744,871	1,754,576	2,944,974	2,857,440
Construction in Progress	6,894,806	8,529,896	15,983,414	22,806,653	22,878,220	31,336,549
Total	\$ 32,752,730	\$ 31,660,201	\$ 55,066,526	\$ 51,708,373	\$ 87,819,256	\$ 83,368,574

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Long-Term Debt - At the end of the current fiscal year, the City of Tavares had total debt outstanding of \$49,409,147. 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Bonds Payable	\$ -	\$ -	\$ 6,325,000	\$ 6,665,000	\$ 6,325,000	\$ 6,665,000
Notes Payable	13,023,005	14,439,750	29,657,665	26,107,432	42,680,670	40,547,182
Capital Lease Obligations	41,121	67,909	362,356	457,319	403,477	525,228
	<u>\$ 13,064,126</u>	<u>\$ 14,507,659</u>	<u>\$ 36,345,021</u>	<u>\$ 33,229,751</u>	<u>\$ 49,409,147</u>	<u>\$ 47,737,410</u>

The City of Tavares's total debt increased by \$1,671,737 (4%) during the current fiscal year, primarily because of the following:

- Issuance of special assessment debt of \$1,100,000 for the construction of improvements to the Sunset View water system.
- Draws of \$4,295,478 on State Revolving Fund Loans.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for Lake County at September 30, 2015 was reported at 5.1%, a decrease of 2.2% over the prior year. This compares to the state unemployment rate of 5.1% and the national rate of 5.1%.
- The total number of new construction permits increased in fiscal year 2015 as the City of Tavares issued 200 permits for new homes compared to 144 in the prior year. In addition the City issued 3 permits for new commercial construction, a decrease from 5 in the prior year. New commercial construction is anticipated to increase in fiscal year 2016, although impact fee waivers will not be available.
- The City 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.

BASIC FINANCIAL STATEMENTS

CITY OF TAVARES, FLORIDA

STATEMENT OF NET POSITION

September 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 4,820,532	\$ 7,740,878	\$ 12,561,410
Receivables, net	469,777	1,276,971	1,746,748
Inventories	7,342	169,245	176,587
Internal balances	(3,870,922)	3,870,922	-
Due from other governments	389,955	-	389,955
Prepaid costs	2,500	-	2,500
Restricted assets:			
Cash and cash equivalents	-	6,385,863	6,385,863
Special assessments receivable	-	18,403	18,403
Capital assets not being depreciated	13,199,133	16,475,174	29,674,307
Capital assets being depreciated, net of accumulated depreciation	19,553,597	38,591,352	58,144,949
Total assets	<u>34,571,914</u>	<u>74,528,808</u>	<u>109,100,722</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	-	38,464	38,464
Deferred outflows of pension earnings	1,803,672	341,152	2,144,824
	<u>1,803,672</u>	<u>379,616</u>	<u>2,183,288</u>
Liabilities:			
Accounts payable and other current liabilities	1,370,031	610,651	1,980,682
Matured bonds and interest payable	722,926	-	722,926
Accrued interest payable	52,718	284,983	337,701
Unearned revenues	158,737	-	158,737
Customer deposits payable	11,244	586,477	597,721
Noncurrent liabilities:			
Due within one year	1,695,127	1,371,623	3,066,750
Due in more than one year	17,702,285	36,375,095	54,077,380
Total liabilities	<u>21,713,068</u>	<u>39,228,829</u>	<u>60,941,897</u>
Deferred Inflows of Resources:			
Deferred inflows of pension earnings	729,362	184,308	913,670
Net Position:			
Net investment in capital assets	19,011,685	19,175,272	38,186,957
Restricted for:			
Capital projects	505,981	6,253,305	6,759,286
Culture and recreation	219,214	-	219,214
Public safety	430,290	-	430,290
Debt Service	91,973	-	91,973
Perpetual care-nonexpendable	29,295	-	29,295
Unrestricted	(6,355,282)	10,066,710	3,711,428
Total Net Position	<u>\$ 13,933,156</u>	<u>\$ 35,495,287</u>	<u>\$ 49,428,443</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, 2015

Functions/Programs:	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 4,037,720	\$ 22,969	\$ -	\$ -	\$ (4,014,751)	\$ -	\$ (4,014,751)
Public safety	5,812,508	1,726,953	82,052	27,897	(3,975,606)	-	(3,975,606)
Physical environment	2,228,153	885,851	338,588	176,540	(827,174)	-	(827,174)
Economic environment	510,033	46,056	17,500	179,047	(267,430)	-	(267,430)
Culture and recreation	1,816,003	416,539	101,639	149,500	(1,148,325)	-	(1,148,325)
Interest on long-term debt	381,845	-	-	-	(381,845)	-	(381,845)
Total governmental activities	<u>14,786,262</u>	<u>3,098,368</u>	<u>539,779</u>	<u>532,984</u>	<u>(10,615,131)</u>	<u>-</u>	<u>(10,615,131)</u>
Business-type activities:							
Water and sewer	6,190,916	8,209,457	6,412	851,788	-	2,876,741	2,876,741
Solid Waste	1,687,934	2,746,477	-	-	-	1,058,543	1,058,543
Stormwater	461,110	964,612	-	-	-	503,502	503,502
Seaplane Base	642,806	310,651	-	-	-	(332,155)	(332,155)
Total business-type activities	<u>8,982,766</u>	<u>12,231,197</u>	<u>6,412</u>	<u>851,788</u>	<u>-</u>	<u>4,106,631</u>	<u>4,106,631</u>
Total primary government	<u>\$ 23,769,028</u>	<u>\$ 15,329,565</u>	<u>\$ 546,191</u>	<u>\$ 1,384,772</u>	<u>(10,615,131)</u>	<u>4,106,631</u>	<u>(6,508,500)</u>
General Revenues:							
Taxes:							
Property taxes					4,485,134	-	4,485,134
Franchise fees and utility taxes					2,944,299	-	2,944,299
Intergovernmental-unrestricted					2,586,042	-	2,586,042
Investment income and miscellaneous					148,756	31,644	180,400
Transfers					1,701,503	(1,701,503)	-
Total general revenues, special items, and transfers					<u>11,865,734</u>	<u>(1,669,859)</u>	<u>10,195,875</u>
Change in net position					1,250,603	2,436,772	3,687,375
Net Position - beginning, as restated					12,682,553	33,058,515	45,741,068
Net Position - ending					<u>\$ 13,933,156</u>	<u>\$ 35,495,287</u>	<u>\$ 49,428,443</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, 2015

	General	Fire Assessment Fund	Greater Downtown TIF District	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 1,139,025	\$ 326,853	\$ 60,783	\$ 1,279,276	\$ 2,014,595	\$ 4,820,532
Receivables, net	239,653	214,778	14,056	-	1,290	469,777
Inventories, at cost	7,342	-	-	-	-	7,342
Due from other funds	636,981	-	21,944	-	-	658,925
Due from other governments	135,604	-	-	-	254,351	389,955
Prepaid expenses	2,500	-	-	-	-	2,500
Total assets	<u>\$ 2,161,105</u>	<u>\$ 541,631</u>	<u>\$ 96,783</u>	<u>\$ 1,279,276</u>	<u>\$ 2,270,236</u>	<u>\$ 6,349,031</u>
Liabilities and Fund Balances:						
Accounts payable	\$ 399,599	\$ -	\$ 2,627	\$ 219,996	\$ 134,085	\$ 756,307
Accrued liabilities	608,137	-	-	-	5,587	613,724
Due to other funds	21,944	365,939	450,000	1,420,922	2,271,042	4,529,847
Customer deposits	-	-	-	-	11,244	11,244
Unearned revenue	87,926	-	-	-	70,811	158,737
Matured bonds payable	-	-	-	-	676,919	676,919
Matured interest payable	-	-	-	-	46,007	46,007
Total liabilities	<u>1,117,606</u>	<u>365,939</u>	<u>452,627</u>	<u>1,640,918</u>	<u>3,215,695</u>	<u>6,792,785</u>
Fund Balances:						
Nonspendable	646,823	-	-	-	29,295	676,118
Restricted	-	175,692	-	-	1,071,766	1,247,458
Unassigned	396,676	-	(355,844)	(361,642)	(2,046,520)	(2,367,330)
Total fund balances	<u>1,043,499</u>	<u>175,692</u>	<u>(355,844)</u>	<u>(361,642)</u>	<u>(945,459)</u>	<u>(443,754)</u>
Total liabilities and fund balances	<u>\$ 2,161,105</u>	<u>\$ 541,631</u>	<u>\$ 96,783</u>	<u>\$ 1,279,276</u>	<u>\$ 2,270,236</u>	

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	32,752,730
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting	1,074,310
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(52,718)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(19,397,412)</u>
Net position of governmental activities	<u>\$ 13,933,156</u>

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

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2015

	General	Fire Assessment Fund	Greater Downtown TIF District	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 7,005,840	\$ -	\$ 159,618	\$ -	\$ 263,975	\$ 7,429,433
Licenses and permits	914,903	-	-	-	-	914,903
Intergovernmental revenues	1,798,644	-	17,500	-	1,842,661	3,658,805
Special assessments	-	1,558,276	-	-	-	1,558,276
Charges for services	102,238	-	46,056	-	428,050	576,344
Fines and forfeitures	29,705	-	-	-	19,140	48,845
Investment income	9,023	-	66	-	1,549	10,638
Miscellaneous	130,149	-	-	-	7,969	138,118
Total revenues	9,990,502	1,558,276	223,240	-	2,563,344	14,335,362
Expenditures:						
Current:						
General government	2,926,983	-	-	-	-	2,926,983
Public safety	5,701,699	-	-	-	34,639	5,736,338
Physical environment	2,043,430	-	-	-	308,471	2,351,901
Economic environment	251,460	-	88,259	-	197,047	536,766
Culture and recreation	2,331,840	-	-	514	366,235	2,698,589
Debt Service:						
Principal	26,788	-	-	-	1,416,745	1,443,533
Interest and fiscal charges	1,139	-	-	-	384,078	385,217
Capital outlay	-	-	-	1,207,915	-	1,207,915
Total Expenditures	13,283,339	-	88,259	1,208,429	2,707,215	17,287,242
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,292,837)</u>	<u>1,558,276</u>	<u>134,981</u>	<u>(1,208,429)</u>	<u>(143,871)</u>	<u>(2,951,880)</u>
Other Financing Sources (Uses):						
Transfers in	3,739,961	-	-	2,450,000	256,442	6,446,403
Transfers out	(589,806)	(1,639,060)	(516,034)	-	(2,000,000)	(4,744,900)
Total other financing sources (uses)	3,150,155	(1,639,060)	(516,034)	2,450,000	(1,743,558)	1,701,503
Net Change in Fund Balances	<u>(142,682)</u>	<u>(80,784)</u>	<u>(381,053)</u>	<u>1,241,571</u>	<u>(1,887,429)</u>	<u>(1,250,377)</u>
Fund Balances - Beginning	<u>1,186,181</u>	<u>256,476</u>	<u>25,209</u>	<u>(1,603,213)</u>	<u>941,970</u>	<u>806,623</u>
Fund Balances - Ending	<u>\$ 1,043,499</u>	<u>\$ 175,692</u>	<u>\$ (355,844)</u>	<u>\$ (361,642)</u>	<u>\$ (945,459)</u>	<u>\$ (443,754)</u>

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

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2015

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

Net change in fund balances - total governmental funds:	\$ (1,250,377)
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	 1,092,556
 Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.	 (27)
 Governmental funds report cash contributions to pensions as expenditures because they consume current financial resources. The Statement of Activities reports the change in pension liability and related deferrals as pension expense. This is the amount of the difference between the two amounts.	 (24,072)
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	 1,446,905
 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>(14,382)</u>
Change in net position of governmental activities	<u><u>\$ 1,250,603</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,255,631	\$ 7,005,533	\$ 7,005,840	\$ 307
Licenses and permits	765,892	914,904	914,903	(1)
Intergovernmental revenues	1,801,660	1,798,546	1,798,644	98
Charges for services	136,182	138,238	102,238	(36,000)
Fines and forfeitures	28,396	29,705	29,705	-
Investment income	4,892	9,023	9,023	-
Miscellaneous	114,841	177,023	130,149	(46,874)
Total revenues	<u>10,107,494</u>	<u>10,072,972</u>	<u>9,990,502</u>	<u>(82,470)</u>
Expenditures:				
Current:				
General government	3,126,966	2,974,764	2,926,983	47,781
Public safety	5,326,452	5,747,112	5,701,699	45,413
Physical environment	2,413,994	2,073,533	2,043,430	30,103
Economic environment	222,182	307,600	251,460	56,140
Culture and recreation	2,300,353	2,374,951	2,331,840	43,111
Debt Service:				
Principal	26,788	26,788	26,788	-
Interest and other charges	1,140	1,140	1,139	1
Total expenditures	<u>13,417,875</u>	<u>13,505,888</u>	<u>13,283,339</u>	<u>222,549</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(3,310,381)</u>	<u>(3,432,916)</u>	<u>(3,292,837)</u>	<u>140,079</u>
Other Financing Sources (Uses)				
Transfers in	3,709,085	3,891,276	3,739,961	(151,315)
Transfers out	(398,704)	(630,261)	(589,806)	40,455
Total other financing sources and uses	<u>3,310,381</u>	<u>3,261,015</u>	<u>3,150,155</u>	<u>(110,860)</u>
Net Change in Fund Balances	-	(171,901)	(142,682)	29,219
Fund Balances - Beginning	<u>1,186,181</u>	<u>1,186,181</u>	<u>1,186,181</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,186,181</u>	<u>\$ 1,014,280</u>	<u>\$ 1,043,499</u>	<u>\$ 29,219</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, 2015

	<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:				
Special assessments	\$ 1,619,134	\$ 1,791,375	\$ 1,558,276	\$ (233,099)
Total revenues	<u>1,619,134</u>	<u>1,791,375</u>	<u>1,558,276</u>	<u>(233,099)</u>
Other Financing Sources (Uses)				
Transfers out	(1,619,134)	(1,791,375)	(1,639,060)	152,315
Total other financing sources and uses	<u>(1,619,134)</u>	<u>(1,791,375)</u>	<u>(1,639,060)</u>	<u>152,315</u>
Net Change in Fund Balances	-	-	(80,784)	(80,784)
Fund Balances - Beginning	<u>256,476</u>	<u>256,476</u>	<u>256,476</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 256,476</u>	<u>\$ 256,476</u>	<u>\$ 175,692</u>	<u>\$ (80,784)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 156,307	\$ 159,618	\$ 159,618	\$ -
Intergovernmental revenues	19,000	9,400	17,500	8,100
Charges for services	6,103	10,056	46,056	36,000
Investment income	28	66	66	-
Total revenues	<u>181,438</u>	<u>179,140</u>	<u>223,240</u>	<u>44,100</u>
Expenditures:				
Current:				
Economic environment	<u>95,800</u>	<u>95,442</u>	<u>88,259</u>	<u>7,183</u>
Total Expenditures	<u>95,800</u>	<u>95,442</u>	<u>88,259</u>	<u>7,183</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>85,638</u>	<u>83,698</u>	<u>134,981</u>	<u>51,283</u>
Other Financing Sources (Uses)				
Transfers out	<u>(70,034)</u>	<u>(70,034)</u>	<u>(516,034)</u>	<u>(446,000)</u>
Total other financing sources and uses	<u>(70,034)</u>	<u>(70,034)</u>	<u>(516,034)</u>	<u>(446,000)</u>
Net Change in Fund Balances	15,604	13,664	(381,053)	(394,717)
Fund Balances - Beginning	<u>25,209</u>	<u>25,209</u>	<u>25,209</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 40,813</u>	<u>\$ 38,873</u>	<u>\$ (355,844)</u>	<u>\$ (394,717)</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, 2015

	Business-Type Activities - Enterprise Funds				Total
	Water and Sewer	Solid Waste	Stormwater	Seaplane Base	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 5,057,687	\$ 1,463,749	\$ 643,446	\$ 122,229	\$ 7,287,111
Receivables, net	873,644	296,856	102,532	3,939	1,276,971
Inventories, at cost	143,777	-	-	25,468	169,245
Total current assets	6,075,108	1,760,605	745,978	151,636	8,733,327
Noncurrent assets:					
Restricted cash and cash equivalents	6,839,630	-	-	-	6,839,630
Due from other funds	3,870,922	-	-	-	3,870,922
Special assessments receivable - long-term	18,403	-	-	-	18,403
Capital assets:					
Land, buildings and equipment	66,223,106	1,890,150	1,862,620	93,590	70,069,466
Construction in progress	15,948,500	-	34,914	-	15,983,414
Less: accumulated depreciation	(28,850,572)	(1,322,515)	(788,609)	(24,658)	(30,986,354)
Total capital assets (net of accumulated depreciation)	53,321,034	567,635	1,108,925	68,932	55,066,526
Total non-current assets	64,049,989	567,635	1,108,925	68,932	65,795,481
Total assets	70,125,097	2,328,240	1,854,903	220,568	74,528,808
Deferred Outflows of Resources:					
Deferred charge on refunding	38,464	-	-	-	38,464
Deferred outflows of pension earnings	232,181	53,503	28,786	26,682	341,152
	270,645	53,503	28,786	26,682	379,616
Liabilities:					
Current liabilities:					
Accounts payable	477,206	25,557	8,694	9,565	521,022
Accrued liabilities	62,355	15,538	7,659	3,389	88,941
Customer deposits payable	587,165	-	-	-	587,165
Compensated absences - current	43,361	5,380	5,225	339	54,305
Notes payable - current	818,348	52,203	-	-	870,551
Revenue bonds payable - current	350,000	-	-	-	350,000
Capital lease obligation - current	-	36,285	60,482	-	96,767
Accrued interest payable	283,412	1,135	436	-	284,983
Total current liabilities	2,621,847	136,098	82,496	13,293	2,853,734
Noncurrent liabilities:					
Other post employment benefit obligations	16,945	4,315	1,257	2,066	24,583
Compensated absences	130,081	16,139	15,674	1,016	162,910
Notes payable	28,638,342	148,772	-	-	28,787,114
Revenue bonds payable	5,975,000	-	-	-	5,975,000
Net pension liability	789,406	181,908	97,869	90,716	1,159,899
Capital lease obligation	-	92,702	172,887	-	265,589
Total noncurrent liabilities	35,549,774	443,836	287,687	93,798	36,375,095
Total liabilities	38,171,621	579,934	370,183	107,091	39,228,829
Deferred Inflows of Resources:					
Deferred inflows of pension earnings	125,436	28,905	15,552	14,415	184,308
Net Position:					
Net investment in capital assets	17,993,111	237,673	875,556	68,932	19,175,272
Restricted for capital projects	6,253,305	-	-	-	6,253,305
Unrestricted	7,852,269	1,535,231	622,398	56,812	10,066,710
Total net position	\$ 32,098,685	\$ 1,772,904	\$ 1,497,954	\$ 125,744	\$ 35,495,287

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

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2015

	Business-Type Activities - Enterprise Funds				Total
	Water and Sewer	Solid Waste	Stormwater	Seaplane Base	
Operating Revenues:					
User charges	\$ 8,208,398	\$ 2,746,477	\$ 964,612	\$ 310,639	\$ 12,230,126
Other revenue	4,586	9,104	-	12	13,702
Total operating revenues	<u>8,212,984</u>	<u>2,755,581</u>	<u>964,612</u>	<u>310,651</u>	<u>12,243,828</u>
Operating Expenses:					
Personal services	1,793,253	436,828	223,778	264,258	2,718,117
Utilities	675,537	938,226	-	45,281	1,659,044
Materials and supplies	506,864	118,273	25,712	202,068	852,917
Repairs and maintenance	238,762	37,231	22,156	39,544	337,693
Depreciation and amortization	1,970,079	97,374	105,569	10,161	2,183,183
Professional services	340,824	7,890	56,708	39,590	445,012
Other expenses	364,812	45,595	22,314	41,904	474,625
Total operating expenses	<u>5,890,131</u>	<u>1,681,417</u>	<u>456,237</u>	<u>642,806</u>	<u>8,670,591</u>
Operating income (loss)	<u>2,322,853</u>	<u>1,074,164</u>	<u>508,375</u>	<u>(332,155)</u>	<u>3,573,237</u>
Nonoperating Revenue (Expenses):					
Intergovernmental revenue	6,412	-	-	-	6,412
Investment income	18,873	5	135	-	19,013
Interest expense	(294,507)	(6,517)	(4,873)	-	(305,897)
Gain (loss) on disposal of capital assets	(6,278)	-	-	-	(6,278)
Total nonoperating revenue (expenses)	<u>(275,500)</u>	<u>(6,512)</u>	<u>(4,738)</u>	<u>-</u>	<u>(286,750)</u>
Income (loss) before contributions and transfers	2,047,353	1,067,652	503,637	(332,155)	3,286,487
Impact fees	851,788	-	-	-	851,788
Transfers in	10,392	-	-	399,398	409,790
Transfers out	(1,189,670)	(699,890)	(221,733)	-	(2,111,293)
Change in net position	1,719,863	367,762	281,904	67,243	2,436,772
Total Net Position - Beginning, as restated	<u>30,378,822</u>	<u>1,405,142</u>	<u>1,216,050</u>	<u>58,501</u>	<u>33,058,515</u>
Total Net Position - Ending	<u>\$ 32,098,685</u>	<u>\$ 1,772,904</u>	<u>\$ 1,497,954</u>	<u>\$ 125,744</u>	<u>\$ 35,495,287</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, 2015

	Enterprise Funds				
	Water and Sewer	Sanitation	Stormwater	Seaplane Base	Total
Cash Flows from Operating Activities:					
Receipts from customers	\$ 8,347,503	\$ 2,753,022	\$ 956,436	\$ 311,205	\$ 12,368,166
Payments to suppliers	(4,457,386)	(1,142,865)	(292,096)	(366,042)	(6,258,389)
Payments to employees	(1,830,402)	(441,014)	(223,210)	(281,146)	(2,775,772)
Net cash provided (used) by operating activities	<u>2,059,715</u>	<u>1,169,143</u>	<u>441,130</u>	<u>(335,983)</u>	<u>3,334,005</u>
Cash Flows from Non-Capital Financing Activities:					
Transfers in	10,392	-	-	439,398	449,790
Transfers out	(1,189,670)	(699,890)	(221,733)	-	(2,111,293)
Increase in due from other funds	(992,259)	-	-	(117,085)	(1,109,344)
Net cash provided (used) by non-capital financing activities	<u>(2,171,537)</u>	<u>(699,890)</u>	<u>(221,733)</u>	<u>322,313</u>	<u>(2,770,847)</u>
Cash Flows from Capital and Related Financing Activities:					
Grant revenues	6,412	-	-	-	6,412
Proceeds of notes and leases	3,589,155	-	-	-	3,589,155
Acquisition of capital assets	(4,769,209)	(165,835)	(62,427)	(20,644)	(5,018,115)
Principal paid on revenue bonds, notes and leases	(340,000)	(87,383)	(59,390)	-	(486,773)
Interest paid on revenue bonds, notes and leases	(826,919)	(6,221)	(5,051)	-	(838,191)
Impact fees received	851,788	-	-	-	851,788
Net cash provided (used) by capital and related financing activities	<u>(1,488,773)</u>	<u>(259,439)</u>	<u>(126,868)</u>	<u>(20,644)</u>	<u>(1,895,724)</u>
Cash Flows from Investing Activities:					
Investment income	18,873	5	135	-	19,013
Net cash provided (used) by investing activities	<u>18,873</u>	<u>5</u>	<u>135</u>	<u>-</u>	<u>19,013</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,581,722)</u>	<u>209,819</u>	<u>92,664</u>	<u>(34,314)</u>	<u>(1,313,553)</u>
Cash and Cash Equivalents - Beginning	<u>13,479,039</u>	<u>1,253,930</u>	<u>550,782</u>	<u>156,543</u>	<u>15,440,294</u>
Cash and Cash Equivalents - End	<u>\$ 11,897,317</u>	<u>\$ 1,463,749</u>	<u>\$ 643,446</u>	<u>\$ 122,229</u>	<u>\$ 14,126,741</u>
Classified As:					
Cash and cash equivalents	\$ 5,057,687	\$ 1,463,749	\$ 643,446	\$ 122,229	\$ 7,287,111
Restricted cash and cash equivalents	6,839,630	-	-	-	6,839,630
Total	<u>\$ 11,897,317</u>	<u>\$ 1,463,749</u>	<u>\$ 643,446</u>	<u>\$ 122,229</u>	<u>\$ 14,126,741</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)	\$ 2,322,853	\$ 1,074,164	\$ 508,375	\$ (332,155)	\$ 3,573,237
Adjustments Not Affecting Cash:					
Depreciation and amortization	1,970,079	97,374	105,569	10,161	2,183,183
Change in Assets and Liabilities:					
(Increase) Decrease in accounts receivable	86,151	(2,559)	(8,176)	554	75,970
(Increase) Decrease in inventories	(106,157)	-	-	(1,878)	(108,035)
(Increase) Decrease in deferred outflows of pension earnings	(131,444)	(18,897)	(10,167)	(9,424)	(169,932)
Increase (decrease) in accounts payable	(2,224,430)	4,350	(165,206)	4,223	(2,381,063)
Increase (decrease) in accrued liabilities	10,444	2,913	902	(3,623)	10,636
Increase (decrease) in customer deposits	48,368	-	-	-	48,368
Increase (decrease) in compensated absences	20,586	(1,726)	2,626	(12,760)	8,726
Increase (decrease) in net pension liability	286,738	66,075	35,549	32,951	421,313
Increase (decrease) in deferred inflows of pension earnings	(227,104)	(52,333)	(28,156)	(26,098)	(333,691)
Increase in OPEB obligation	3,631	(218)	(186)	2,066	5,293
Total adjustments	<u>(2,233,217)</u>	<u>(2,395)</u>	<u>(172,814)</u>	<u>(13,989)</u>	<u>(2,422,415)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 2,059,715</u>	<u>\$ 1,169,143</u>	<u>\$ 441,130</u>	<u>\$ (335,983)</u>	<u>\$ 3,334,005</u>
Noncash Capital and Financing Activities:					
Net transfers of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributed assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015

	<u>Police Officers</u>	<u>Firefighters</u>	<u>Total Pension Funds</u>
Assets:			
Cash and cash equivalents	\$ 409,605	\$ 381,870	\$ 791,475
Receivables:			
Plan members contributions	11,666	1,982	13,648
Employer contribution receivable	94,874	94,702	189,576
Total receivables	<u>106,540</u>	<u>96,684</u>	<u>203,224</u>
Investments, at fair value:			
Exchange traded funds	5,562,996	3,041,734	8,604,730
Other pension mutual funds	3,755,897	1,954,275	5,710,172
Total Investments	<u>9,318,893</u>	<u>4,996,009</u>	<u>14,314,902</u>
Total assets	<u>9,835,038</u>	<u>5,474,563</u>	<u>15,309,601</u>
Liabilities:			
Accounts payable	<u>-</u>	<u>17,550</u>	<u>17,550</u>
Net Position:			
Held in trust for pension benefits	<u>\$ 9,835,038</u>	<u>\$ 5,457,013</u>	<u>\$ 15,292,051</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, 2015

	<u>Police Officers</u>	<u>Firefighters</u>	<u>Total Pension Funds</u>
Additions:			
Contributions:			
Employer	\$ 298,605	\$ 306,603	\$ 605,208
Plan members	182,992	47,264	230,256
State	83,619	82,506	166,125
Total contributions	<u>565,216</u>	<u>436,373</u>	<u>1,001,589</u>
Investment income:			
Net increase (decrease) in fair value	(439,643)	(221,352)	(660,995)
Interest	253,283	129,826	383,109
Less: investment expense	(51,880)	(33,531)	(85,411)
Net investment income (loss)	<u>(238,240)</u>	<u>(125,057)</u>	<u>(363,297)</u>
Total additions	326,976	311,316	638,292
Deductions:			
Benefits/distributions	363,987	183,839	547,826
Total deductions	<u>363,987</u>	<u>183,839</u>	<u>547,826</u>
Change in Net Position	(37,011)	127,477	90,466
Net Position - beginning	<u>9,872,049</u>	<u>5,329,536</u>	<u>15,201,585</u>
Net Position - ending	<u>\$ 9,835,038</u>	<u>\$ 5,457,013</u>	<u>\$ 15,292,051</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, 2015

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, 2015

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, 2015

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

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

The government reports the following funds:

Major Governmental Funds

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

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

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

The *Capital Projects Fund* is used to account for acquisition and construction activity for large-scale projects of the General Fund.

Nonmajor Governmental Funds

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

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

Major Proprietary Funds

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

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

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

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, 2015

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' and firefighters' 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, 2015

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, 2015

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 \$1,086,083. Of this amount, \$530,729 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, 2015

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 two items that qualify for reporting in this category. One such item 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. The other item is the deferred outflows of pension earnings.

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 has one item that qualifies for reporting in this category, which is the deferred inflows of pension earnings.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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

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

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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

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

13. New GASB Statement Implemented

In fiscal year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements replace the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, and Statement No. 50, *Pension Disclosures*, as they related to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. Beginning net position of governmental activities, business-type activities, and the enterprise funds have been restated as discussed below.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
Net Position, October 1, 2014, previously stated	\$17,503,108	\$34,094,443		
Restatement of Net Position Due to Implementation of GASB 68	<u>(4,820,555)</u>	<u>(1,035,928)</u>		
Net Position, October 1, 2014, as restated	<u>\$12,682,553</u>	<u>\$33,058,515</u>		
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	<u>Seaplane Base</u>
Net Position, October 1, 2014, previously stated	\$31,083,856	\$ 1,567,607	\$ 1,303,459	\$ 139,521
Restatement of Net Position Due to Implementation of GASB 68	<u>(705,034)</u>	<u>(162,465)</u>	<u>(87,409)</u>	<u>(81,020)</u>
Net Position, October 1, 2014, as restated	<u>\$30,378,822</u>	<u>\$ 1,405,142</u>	<u>\$ 1,216,050</u>	<u>\$ 58,501</u>

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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	\$ 2,267,757
Depreciation Expense	<u>(1,175,201)</u>
Net Adjustment to Increase <i>Net Changes in Fund Balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 1,092,556</u>

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

Interest Payable (Net Change)	\$ 3,372
Principal Repayment	<u>1,443,533</u>
Net Adjustment to Increase <i>Net Changes in Fund Balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 1,446,905</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	\$ (24,565)
Other Post Employment Benefits	<u>10,183</u>
Net Adjustment to Decrease <i>Net Changes in Fund Balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (14,382)</u>

Note 3 - Stewardship, Compliance, and Accountability:**A. Appropriations in Excess of Funds Available**

The Capital Projects Fund and the Pavilion Fund contained appropriations in excess of revenues and available fund balance for the fiscal year ending September 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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

B. Deficit Fund Balances

The Downtown TIF District Fund, Capital Projects Fund, and the Pavilion Fund have deficit fund balances at September 30, 2015.

C. Expenditures and Transfers Out in Excess of Appropriations

The Downtown TIF District Fund, and the Pavilion Fund contained transfers out in excess of appropriations for the fiscal year ended September 30, 2015. The Capital Projects Fund and Grant Fund contained expenditures in excess of appropriations for the fiscal year ended September 30, 2015.

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.
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, 2015

Note 4 - Deposits and Investments:

A. Deposits

At year end, the carrying amount of the City's deposits was \$12,886,565, and the bank balance was \$13,239,875. Of this amount \$585,325 represented customer utility deposits. Petty cash funds and working cash for cashier operations of \$2,125 is not on deposit with a financial institution. Fiduciary fund cash of \$791,475 is held by the City on behalf of the police and fire pension funds 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, 2015

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. 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, 2015 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	3,795,725	AAAm	29 days
BB&T Interest-Bearing Treasury Fund	2,264,983	Unrated	<90 days
Pension Funds			
Exchange Traded Funds	8,604,730	N/A	N/A
Other Pension Mutual Funds	5,724,350	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, 2015

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, 2015, 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	\$ 335,359	\$ (95,706)	\$ 239,653
Fire Assessment Fund	214,778	-	214,778
Greater Downtown TIF	14,056	-	14,056
Nonmajor Special Revenue	1,290	-	1,290
Water & Sewer	1,496,164	(622,520)	873,644
Sanitation	378,608	(81,752)	296,856
Stormwater	126,416	(23,884)	102,532
Seaplane Base	3,939	-	3,939
Total	<u>\$ 2,570,610</u>	<u>\$ (823,862)</u>	<u>\$ 1,746,748</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 6 - Capital Assets:

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,213,405	\$ 1,090,922	\$ -	\$ 6,304,327
Construction in progress	8,529,896	1,693,934	(3,329,024)	6,894,806
Total capital assets, not being depreciated:	<u>13,743,301</u>	<u>2,784,856</u>	<u>(3,329,024)</u>	<u>13,199,133</u>
Capital assets, being depreciated:				
Buildings	5,635,744	1,101,682	-	6,737,426
Improvements/Infrastructure	16,700,036	1,255,655	-	17,955,691
Machinery and equipment	7,295,726	454,588	(396,958)	7,353,356
Software/licenses	201,104	-	-	201,104
Total capital assets, being depreciated:	<u>29,832,610</u>	<u>2,811,925</u>	<u>(396,958)</u>	<u>32,247,577</u>
Less accumulated depreciation				
Buildings	(2,058,951)	(143,644)	-	(2,202,595)
Improvements/Infrastructure	(3,495,274)	(660,385)	-	(4,155,659)
Machinery and equipment	(6,192,862)	(357,322)	396,931	(6,153,253)
Software/licenses	(168,623)	(13,850)	-	(182,473)
Total accumulated depreciation	<u>(11,915,710)</u>	<u>(1,175,201)</u>	<u>396,931</u>	<u>(12,693,980)</u>
Total capital assets, being amortized/depreciated:	<u>17,916,900</u>	<u>1,636,724</u>	<u>(27)</u>	<u>19,553,597</u>
Governmental activities assets, net	<u>\$ 31,660,201</u>	<u>\$ 4,421,580</u>	<u>\$ (3,329,051)</u>	<u>\$ 32,752,730</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 6 - Capital Assets (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 438,364	\$ 53,396	\$ -	\$ 491,760
Construction in progress	22,806,653	4,290,686	(11,113,925)	15,983,414
Total capital assets, not being depreciated	<u>23,245,017</u>	<u>4,344,082</u>	<u>(11,113,925)</u>	<u>16,475,174</u>
Capital assets, being depreciated:				
Buildings & improvements	50,914,635	11,827,790	(7,104)	62,735,321
Machinery and equipment	6,498,939	490,897	(189,023)	6,800,813
Software/licenses	41,572	-	-	41,572
Total capital assets, being depreciated	<u>57,455,146</u>	<u>12,318,687</u>	<u>(196,127)</u>	<u>69,577,706</u>
Less accumulated depreciation for:				
Buildings & improvements	(24,241,291)	(1,682,475)	7,104	(25,916,662)
Machinery and equipment	(4,744,363)	(493,094)	181,515	(5,055,942)
Software/licenses	(6,136)	(7,614)	-	(13,750)
Total accumulated depreciation	<u>(28,991,790)</u>	<u>(2,183,183)</u>	<u>188,619</u>	<u>(30,986,354)</u>
Total capital assets, being depreciated, net	<u>28,463,356</u>	<u>10,135,504</u>	<u>(7,508)</u>	<u>38,591,352</u>
Business-type activities capital assets, net	<u>\$ 51,708,373</u>	<u>\$ 14,479,586</u>	<u>\$ (11,121,433)</u>	<u>\$ 55,066,526</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 89,358
Public safety	215,800
Physical environment	392,803
Economic Development	18,895
Culture and recreation	458,345
Total depreciation expense - governmental activities	<u>\$ 1,175,201</u>
Business-type activities:	
Water & sewer	1,970,079
Solid waste	97,374
Stormwater	105,569
Seaplane base & marina	10,161
Total depreciation expense - business-type activities	<u>\$ 2,183,183</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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:

	Interest Rates and Dates	Maturity	Original Amount	Balance September 30, 2015
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>	\$ 4,075,000
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>	2,250,000 <u>\$6,325,000</u>

Year ending September 30,	Business -Type Activities	
	Principal	Interest
2016	\$ 350,000	\$ 170,143
2017	355,000	160,728
2018	365,000	151,178
2019	380,000	141,360
2020	385,000	131,138
2021-2025	2,095,000	494,153
2026-2030	<u>2,395,000</u>	<u>196,639</u>
	<u>\$ 6,325,000</u>	<u>\$ 1,445,339</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 \$7,770,338. For the fiscal year, interest paid on this series was \$179,289, and total pledged revenue was \$5,144,720.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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	(24,132)	(260,135)
Total	<u>\$ 98,477</u>	<u>\$ 353,816</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015 were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2015	\$ 27,927	\$ 103,135
2016	13,963	103,135
2017	-	103,135
2018	-	67,240
Total minimum lease payments	<u>41,890</u>	<u>376,645</u>
Less: amount representing interest	<u>(769)</u>	<u>(14,289)</u>
	<u>\$ 41,121</u>	<u>\$ 362,356</u>

C. Notes Payable

The Infrastructure Sales Tax Revenue Note, Series 2003, \$6,000,000 is secured by Infrastructure Sales Tax revenues. The total principal and interest remaining to be paid on this series is \$627,445. For the fiscal year, principal and interest paid on this series was \$629,149, and total pledged revenue was \$1,299,744.

The Capital Improvement Refunding Revenue Note, Series 2012, \$6,530,000, is secured by utility tax revenues. The total principal and interest remaining to be paid on this series is \$6,525,029. For the fiscal year, principal and interest paid on this series was \$502,954, and total pledged revenue was \$1,399,337.

On August 9, 2013, the City issued the Capital Improvement Revenue Note, Series 2013, to acquire and construct a city owned and operated conference center and pavilion in Wootton Park. This Note is secured by utility tax revenues, which amounted to \$1,399,337 in fiscal year 2015. Total principal and interest remaining to be paid on this series is \$3,325,869.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 7 - Long-Term Debt (Continued):

C. Notes Payable (Continued)

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. Total principal and interest remaining to be paid on this series is \$337,268.

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 \$1,370,331. For the fiscal year, principal and interest paid on this series was \$114,526.

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 taxes on all taxable property in the City in order to pay principal and interest due each year on the GO Note. The total principal and interest remaining to be paid on this series is \$3,266,460. For the fiscal year, principal and interest paid on this series was \$272,383, and total pledged revenue was \$263,975.

The State Revolving Loan Agreement WWG12078905P, \$14,329,234, 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 \$13,577,078. For the fiscal year, principal and interest paid on the note was \$678,897. Total pledged revenue for fiscal year 2015 was \$4,980,777.

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 \$1,091,669. For the fiscal year, principal and interest paid on the note was \$42,456. Total pledged revenue for fiscal year 2015 was \$4,731,181.

The State Revolving Loan/ARRA Agreement DW350301 in the amount of \$370,412 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 \$362,393. For the fiscal year principal and interest paid on the note was \$24,166. Total pledged revenue for fiscal year 2015 was \$4,706,254.

The State Revolving Loan State Revolving Loan Agreement WW350910 in the amount of \$2,571,438 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 \$2,879,056. For the fiscal year 2015 principal and interest paid on the note was \$164,371. Total pledged revenue for fiscal year 2015 was \$4,697,639.

The State Revolving Loan State Revolving Loan Agreement WW350920 in the amount of \$2,862,929 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 \$3,343,070. For the fiscal year 2015 principal and interest paid on the note was \$203,715. Total pledged revenue for fiscal year 2015 was \$4,640,004.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 7 - Long-Term Debt (Continued):

C. Notes Payable (Continued)

The State Revolving Loan State Revolving Loan Agreement WW350900 in the amount of \$4,945,203 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 \$5,928,040. Total pledged revenue for fiscal year 2015 was \$4,640,004.

The State Revolving Loan State Revolving Loan Agreement WW350930 in the amount of \$6,124,942 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 \$7,352,124. Total pledged revenue for fiscal year 2015 was \$4,640,004.

The State Revolving Loan State Revolving Loan Agreement WW350940 in the amount of \$174,892 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 \$203,678. Total pledged revenue for fiscal year 2015 was \$4,640,004.

The Sunset View Special Assesment Note, Series 2014, in the amount of \$1,100,000 is secured by assessments levied on the benefited properties, interest and penalties thereon, and net revenues of the water and sewer utility. Total principal and interest remaining to be paid on the note is \$1,262,283. No interest or principal was paid on the note during 2015, and no revenues were pledged. Repayments are scheduled to begin on October 1, 2015.

Notes payable outstanding at year end are as follows:

	Interest Rates and Dates	Issue and Final Maturity Dates	Original Amount	Balance September 30, 2015
<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>	\$ 605,000
Capital Improvement Revenue Note Series 2008	3.99% 10/1 & 4/1	5/23/2008 10/1/2027	<u>\$ 1,500,000</u>	1,072,000
Capital Improvement Revenue Refunding Note Series 2012	2.32% 2/1 & 8/1	6/14/2012 2/1/2028	<u>\$ 6,530,000</u>	5,633,000
General Obligation Series 2012	2.77% 1/1 & 7/1	6/18/2012 7/1/2027	<u>\$ 3,300,000</u>	2,747,000
Capital Improvement Revenue Note Series 2013	2.69% 2/1 & 8/1	8/9/2013 2/1/2032	<u>\$ 2,750,000</u>	2,637,000
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>	329,005
Total				<u>\$ 13,023,005</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 7 - Long-Term Debt (Continued):

C. Notes Payable (Continued)

Business-Type Activities

State Revolving Loan WW78905P	2.15%-3.07% 6/15 & 12/15	4/2/2002 12/15/2035	<u>\$ 14,706,596</u>	\$ 10,912,227
State Revolving Loan WW789060	2.82% 4/15 & 10/15	3/17/2009 4/15/2031	<u>\$ 850,852</u>	833,323
State Revolving Loan DW350301	2.82% 5/15 & 11/15	9/21/2009 11/15/2030	<u>\$ 370,412</u>	293,821
State Revolving Loan 350910	2.37% 3/15 & 9/15	5/11/2011 3/15/2032	<u>\$ 2,571,438</u>	2,346,559
State Revolving Loan 350920	2.51% 4/15 & 10/15	4/5/2013 3/15/2032	<u>\$ 2,862,929</u>	2,725,723
State Revolving Loan 350900	1.62%-2.06% 4/15 & 10/15	6/28/2013 4/15/2035	<u>\$ 4,945,203</u>	4,945,203
State Revolving Loan 350930	2.00% 4/15 & 10/15	6/28/2013 10/1/2034	<u>\$ 6,124,942</u>	6,124,942
State Revolving Loan 350940	2.06% 1/15 & 7/15	3/31/2014 1/15/2037	<u>\$ 174,892</u>	174,892
Special Assessment Note Series 2014	2.63% 10/1	12/5/2014 10/1/2024	<u>\$ 1,100,000</u>	1,100,000
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>	200,975
Total				<u>\$ 29,657,665</u>

Debt service requirements for notes payable at September 30, 2015 are:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,458,440	\$ 340,902	\$ 1,337,560	\$ 625,191
2017	870,676	296,970	1,393,419	607,895
2018	893,928	274,955	1,425,871	574,759
2019	867,961	252,416	1,443,773	543,836
2020	4,446,000	919,292	1,433,497	512,675
2021-2025	3,787,000	306,623	7,655,853	2,075,036
2026-2030	699,000	38,238	7,847,599	1,226,067
2031-2035	-	-	7,120,093	382,616
	<u>\$ 13,023,005</u>	<u>\$ 2,429,396</u>	<u>\$ 29,657,665</u>	<u>\$ 6,548,075</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 7 - Long-Term Debt (Continued):

D. Changes in Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2015 was as follows:

	Beginning Balance, Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Lease	\$ 67,909	\$ -	\$ (26,788)	\$ 41,121	\$ 27,288
Notes payable					
Capital improvement	6,001,000	-	(368,000)	5,633,000	378,000
Capital improvement	1,141,000	-	(69,000)	1,072,000	71,000
Sales tax	1,190,000	-	(585,000)	605,000	605,000
General obligation	2,938,000	-	(191,000)	2,747,000	196,000
Capital improvement	2,750,000	-	(113,000)	2,637,000	124,000
Capital improvement	419,750	-	(90,745)	329,005	92,440
Total notes payable	14,439,750	-	(1,416,745)	13,023,005	1,466,440
Net pension liability	3,438,871	2,013,370	-	5,452,241	-
Other post employment benefits	85,634	-	(10,183)	75,451	-
Compensated absences	781,029	650,881	(626,316)	805,594	201,399
Governmental activity long-term liabilities	<u>\$ 18,813,193</u>	<u>\$ 2,664,251</u>	<u>\$ (2,080,032)</u>	<u>\$ 19,397,412</u>	<u>\$ 1,695,127</u>
Business-type Activities:					
Revenue bonds	\$ 6,665,000	\$ -	\$ (340,000)	\$ 6,325,000	\$ 350,000
Capital leases	457,319	-	(94,963)	362,356	96,767
Notes payable					
State revolving loans	25,867,535	3,195,478	(706,323)	28,356,690	736,348
Special assessment note	-	1,100,000	-	1,100,000	82,000
Capital improvement note	239,897	-	(38,922)	200,975	52,203
Total notes payable	26,107,432	4,295,478	(745,245)	29,657,665	870,551
Net pension liability	738,586	421,313	-	1,159,899	-
Other post employment benefits	19,290	5,293	-	24,583	-
Compensated absences	208,489	169,115	(160,389)	217,215	54,305
Business-type activity long term liabilities	<u>\$ 34,196,116</u>	<u>\$ 4,891,199</u>	<u>\$ (1,340,597)</u>	<u>\$ 37,746,718</u>	<u>\$ 1,371,623</u>

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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, 2015 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. No amount is outstanding at September 30, 2015. 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 full amount of these bonds are outstanding at September 30, 2015. 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, 2015 is as follows:

	<u>Receivable Fund</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Downtown TIF District</u>	
Payable Fund				
General fund	\$ -	\$ -	\$ 21,944	\$ 21,944
Fire assessment fund	365,939	-	-	365,939
Downtown TIF District	-	450,000	-	450,000
Capital projects fund	-	1,420,922	-	1,420,922
Nonmajor governmental funds	271,042	2,000,000	-	2,271,042
Total	<u>\$ 636,981</u>	<u>\$ 3,870,922</u>	<u>\$ 21,944</u>	<u>\$ 4,529,847</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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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 pavilion fund, and the fire assessment fund near the end of the fiscal year. Balances are expected to be collected in these funds and reimbursed to the general fund in the subsequent year.

The amounts payable to the water & sewer fund represent interfund loans to the downtown TIF, pavilion and capital projects funds from the water & sewer fund authorized by the City Council for the Pavilion, Train Station, and Tavares Square projects. The funds will make annual reimbursements to the water & sewer fund over several years until all outstanding amounts have been reimbursed. Reimbursements will include interest at an annual rate of 1.1%.

- \$2,000,000 for the construction of the Pavilion on the Lake Project. The interfund loan is expected to be reimbursed from rental receipts collected by the Pavilion on the Lake. The pavilion fund will budget reimbursements annually beginning fiscal year 2017.
- \$450,000 for the Wooten Park Train Depot Project. The interfund loan is expected to be reimbursed from rental receipts collected from train station rentals, and reimbursements will be budgeted annually beginning fiscal year 2017.
- \$1,085,922 for the land purchase for the Tavares Square Project. The city has hired a consultant for the sale or development of the property. The interfund loan is expected to be reimbursed upon the sale or development of the Tavares Square property.

Amounts due to the water & sewer fund from the capital project fund in excess of the loan amount will be reimbursed to the water & sewer fund in the subsequent fiscal year.

Interfund transfers for the year ended September 30, 2015 consisted of the following:

	Transfer in					Total
	General Fund	Capital Projects Fund	Water & Sewer Fund	Seaplane Base	Nonmajor Governmental Funds	
Transfer Out:						
General fund	\$ -	\$ -	\$ -	\$ 333,364	\$ 256,442	\$ 589,806
Fire assessment fund	1,639,060	-	-	-	-	1,639,060
Greater downtown TIF district	-	450,000	-	66,034	-	516,034
Water & sewer fund	1,189,670	-	-	-	-	1,189,670
Solid waste fund	699,890	-	-	-	-	699,890
Stormwater fund	211,341	-	10,392	-	-	221,733
Nonmajor governmental funds	-	2,000,000	-	-	-	2,000,000
Total	\$ 3,739,961	\$ 2,450,000	\$ 10,392	\$ 399,398	\$ 256,442	\$ 6,856,193

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans:

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

A. Defined Benefit Plans

Funding Policy The Police Officers' (POPP) and Firefighters' (FPP) Pension Plans funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. The Statutes provide, in general, that funds are to be accumulated from Plan members, City contributions, and State contributions from the State of Florida, FS § 175 and FS § 185. The payments received from the State on behalf of each plan are recorded as on behalf receipts and disbursements in the general fund. On behalf payments for 2015 were \$83,619 in the Police Officer's Pension Trust fund and \$82,506 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, 2015 active plan membership was 25 and there were 2 inactive plan members entitled to but not receiving benefits and 9 inactive plan members or beneficiaries receiving benefits.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

Normal retirement

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

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

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)

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 Employees are required to contribute 12.8% of salary. The City is required to contribute the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

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, 2015, the annual money-weighted rate of return on plan investments, net of investment expense, was -2.00%.

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, 2015 is \$17,006.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

Net Pension Liability of the Sponsor The components of the net pension liability of the sponsor on September 30, 2015 were as follows:

Total Pension Liability	\$ 11,604,472
Plan Fiduciary Net Position	(9,834,625)
Sponsor's Net Pension Liability	<u>\$ 1,769,847</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>84.75%</u>

Actuarial Assumptions The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following assumptions:

Inflation	3.00%	3.00%
Salary Increases	6.00%	6.00%
Discount Rate	8.00%	8.00%
Investment Rate of Return	8.00%	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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	35%	8.0%
International Equity	15%	3.0%
Bonds	30%	4.4%
Convertibles	10%	6.4%
Private Real Estate	5%	4.6%
MLPs	5%	10.4%

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

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.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	\$ 3,342,624	\$ 1,769,847	\$ 479,909

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at September 30, 2014	\$ 10,780,327	\$ (9,849,903)	\$ 930,424
Changes for a Year:			
Service cost	381,485	-	381,485
Interest	878,385	-	878,385
Change in excess state money	328	-	328
Difference between expected and actual experience	(72,066)	-	(72,066)
Contributions - employer	-	(309,496)	(309,496)
Contributions - state	-	(83,619)	(83,619)
Contributions - employee	-	(182,992)	(182,992)
Net investment income	-	198,020	198,020
Benefit payments and refunds	(363,987)	363,987	-
Administrative Expense	-	29,378	29,378
Balances at September 30, 2015	<u>\$ 11,604,472</u>	<u>\$ (9,834,625)</u>	<u>\$ 1,769,847</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$456,179. On September 30, 2015, the City reported deferred outflows and inflows of resources related to the POPP from the following sources:

<u>Description</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Expected and Actual		
Earnings on Pension Plan Investments	\$ 664,241	\$ -
Differences Between Expected and Actual Experience	-	61,770
Balance, September 30, 2015	<u>\$ 664,241</u>	<u>\$ 61,770</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

B. Defined Benefit Plans (Continued)

1. Police Officers' Pension Plan (Continued)

Amounts reported as deferred outflows and inflows of resources related to the POPP will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2016	\$ 144,898
2017	144,897
2018	144,897
2019	188,369
2020	(10,295)
Thereafter	<u>(10,295)</u>
	<u>\$ 602,471</u>

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, 2015 active plan membership was 22 and there were no inactive plan members entitled to but not receiving benefits and 9 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 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

2. Firefighters' Pension Plan (Continued)

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.

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 Employees are required to contribute 3.5% of salary. The City is required to contribute the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

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, 2015, the annual money-weighted rate of return on plan investments, net of investment expense, was -2.03%.

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, 2015 is \$13,575.

Net Pension Liability of the Sponsor The components of the net pension liability of the sponsor on September 30, 2015 were as follows:

Total Pension Liability	\$ 6,573,469
Plan Fiduciary Net Position	(5,473,938)
Sponsor's Net Pension Liability	<u>\$ 1,099,531</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>83.27%</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

2. Firefighters' Pension Plan (Continued)

Actuarial Assumptions The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following assumptions:

Inflation	3.00%	3.00%
Salary Increases	7.50%	7.50%
Discount Rate	8.00%	8.00%
Investment Rate of Return	8.00%	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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	35%	8.0%
International Equity	15%	3.0%
Bonds	30%	4.4%
Convertibles	10%	6.4%
Private Real Estate	5%	4.6%
MLPs	5%	10.4%

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.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

2. Firefighters' Pension Plan (Continued)

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	\$ 1,972,299	\$ 1,099,531	\$ 369,851

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at September 30, 2014	\$ 6,239,557	\$ (5,375,793)	\$ 863,764
Changes for a Year:			
Service cost	313,761	-	313,761
Interest	511,187	-	511,187
Change in excess state Difference between expected and actual experience	4,976 (289,327)	- -	4,976 (289,327)
Contributions - employer	-	(300,743)	(300,743)
Contributions - state	-	(82,591)	(82,591)
Contributions - employee	-	(47,264)	(47,264)
Net investment income	-	110,340	110,340
Benefit payments and refunds	(206,685)	206,685	-
Administrative Expense	-	15,428	15,428
Balances at September 30, 2015	<u>\$ 6,573,469</u>	<u>\$ (5,473,938)</u>	<u>\$ 1,099,531</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

A. Defined Benefit Plans (Continued)

2. Firefighters' Pension Plan (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$417,540. On September 30, 2015, the City reported deferred outflows and inflows of resources related to the POPP from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflows of Resources
Net Difference Between Expected and Actual		
Earnings on Pension Plan Investments	\$ 379,761	\$ -
Differences Between Expected and Actual Experience	-	257,179
Balance, September 30, 2015	\$ 379,761	\$ 257,179

Amounts reported as deferred outflows and inflows of resources related to the POPP will be recognized in pension expense as follows:

Year Ended September 30,	
2016	\$ 57,855
2017	57,856
2018	57,857
2019	77,602
2020	(32,147)
Thereafter	(96,441)
	\$ 122,582

B. Defined Contribution Plans

1. 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, 2015, 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. Participants may not contribute 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).

City of Tavares employer contributions for the General Employees Pension Plan for the current year were \$29,469. There were no forfeitures applied to the City's contributions during the year ended September 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

B. Defined Contribution Plans (Continued)

2. General Employees Non FRS Eligible Plan

Plan Description The City of Tavares General Employees' Non FRS Eligible 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. At September 30, 2015, there was one plan member. Only employees that are not otherwise eligible to participate in the FRS Plan are eligible. The City is required to contribute the a percentage of annual covered payroll equal to FRS statutory rates (7.26% at September 30, 2015). Participants are required to contribute 3% of covered salary. Plan provisions and contribution requirements are established and may be amended by the City of Tavares City Council.

City of Tavares employer contributions for the General Employees Pension Plan for the current year were \$9,687. There were no forfeitures applied to the City's contributions during the year ended September 30, 2015.

C. Florida Retirement System

Plan Description City employees hired after April 1, 2006, except employees otherwise eligible to participate in the police and fire pension plans, 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.

Early retirement benefits may also be provided; however there is a reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees. There is a 3% requirement for employees to contribute to FRS effective July 1, 2011.

The 2007 Florida Legislature continued the uniform contribution rate system under which participating employers make uniform contributions to support the FRS Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.405, Florida Statutes, FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS defined benefit pension plan. Employers contribute based upon blended rates determined as a percentage of the total payroll for each class or subclass of FRS membership, regardless of which retirement plan individuals elect.

The State of Florida issues a report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, Tallahassee, Florida 32399-1560.

Funding Policy: The FRS has ten (10) classes of membership. Only three (3) classes are applicable to the City's eligible employees. These classes, with descriptions and contribution rates in effect during the period ended September 30, 2015 are as follows:

Regular Class Members not qualifying for other classes (10.26% [includes 3% employee contribution] from July 1, 2015 through September 30, 2015 and 10.37% [includes 3% employee contribution] from October 1, 2014 through June 30, 2015.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

C. Florida Retirement System (Continued)

Deferred Retirement Option Program (DROP) 12.88% [DROP participants are not required to contribute] from July 1, 2015 through September 30, 2015 and 12.28% from October 1, 2014 through June 30, 2015.)

Senior Management 24.43% [includes 3% employee contribution] from July 1, 2015 through September 30, 2015 and 24.14% [includes 3% employee contribution] from October 1, 2014 through June 30, 2015.

Pension Plan (FRS)

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):***C. Florida Retirement System (Continued)*****Pension Plan (FRS) (Continued)**

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular-7.37% and 7.26%; DROP participants-12.28% and 12.88%; and Senior Management-21.14% and 21.43%

These employer contribution rates include 1.20% and 1.66% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$406,224 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the City reported a liability of \$2,131,717 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was .01650 percent, which was an increase (decrease) of .00106 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$249,545. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 225,046	\$ 50,558
Change of Assumptions	141,489	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	509,018
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	444,109	-
Pension Plan Contributions Subsequent to the Measurement Date	110,243	-
	\$ 920,887	\$ 559,576

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

C. Florida Retirement System (Continued)

Pension Plan (FRS) (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$110,243 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2016	\$ (71,495)
2017	(71,495)
2018	(71,495)
2019	348,461
2020	96,433
Thereafter	20,659
	<u>\$ 251,068</u>

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

C. Florida Retirement System (Continued)

Pension Plan (FRS) (Continued)

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation - Mean		2.60%		2.00%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	Discount Rate Minus 1% 6.65%	Current Discount Rate 7.65%	Discount Rate Plus 1% 8.65%
City's Proportionate Share of Net Pension Liability (FRS)	\$ 5,523,760	\$ 2,131,717	\$ (691,021)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

C. Florida Retirement System (Continued)

Pension Plan (FRS) (Continued)

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2015, the City reported a payable in the amount of \$15,764 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$67,437 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the City reported a liability of \$1,611,045 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was .01580 percent, which was an increase (decrease) of .00038 percent from its proportionate share measured as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

C. Florida Retirement System (Continued)

HIS Plan (Continued)

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$118,045. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 126,747	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	872	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	29,641	35,145
Pension Plan Contributions Subsequent to the Measurement Date	22,675	-
	\$ 179,935	\$ 35,145

The deferred outflows of resources related to the HIS Plan, totaling \$22,675 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ended September 30,	
2016	\$ 20,095
2017	20,095
2018	20,095
2019	19,917
2020	19,832
Thereafter	22,081
	\$ 122,115

Actuarial Assumptions - The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	3.80% net of pension plan investment expense

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

C. Florida Retirement System (Continued)

HIS Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	Discount Rate Minus 1% 2.80%	Current Discount Rate 3.80%	Discount Rate Plus 1% 4.80%
City's Proportionate Share of Net Pension Liability (FRS)	\$ 1,835,711	\$ 1,611,045	\$ 1,423,708

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Senior Management, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans (Continued):

C. Florida Retirement System (Continued)

Investment Plan (Continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The pension expense for the City's Investment Plan for the fiscal year ended September 30, 2015 was \$34,180.

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%.

CITY OF TAVARES, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 11 - Other Post Employment Benefits (Continued):

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2015 is as follows:

City of Tavares - Other Post Employment Obligations	
Net OPEB Obligation	
Annual Required Contribution (ARC)	\$ 27,960
Interest	4,197
Adjustments to ARC	(5,834)
Total ARC	26,323
Contributions Made	-
Implicit Rate Subsidy	(31,213)
Change in NPO	(4,890)
Net OPEB Obligation at September 30, 2014	\$ 100,034

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, 2015, 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, 2015 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 2015:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of APC Contributed	Net OPEB Obligation
9/30/2015	\$ 26,323	0.0%	\$ 100,034
9/30/2014	25,793	0.0%	104,924
9/30/2013	22,753	0.0%	107,651

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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	\$ 27,960	\$ 1,727,486
Retiree Premiums Paid	N/A	(27,960)	(27,960)
Implicit Rate Subsidy	(31,213)	31,213	-
Adjustment due to GASB 43/45	N/A	(1,047)	(1,047)
Total Medical Benefit Cost	<u>\$ 1,668,313</u>	<u>\$ 30,166</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, 2015

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, 2015. 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, 2015, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

Note 14 - Fund Balance:

At September 30, 2015, the city's governmental fund balances were as follows:

Fund Balances	General	Fire Assessment Fund	Greater Downtown TIF District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Inventory/prepays	\$ 9,842	\$ -	\$ -	\$ -	\$ -	\$ 9,842
Due from other funds	636,981	-	-	-	-	636,981
Non-expendable trust	-	-	-	-	29,295	29,295
Spendable						
Restricted for:						
Public safety	-	175,692	-	-	254,598	430,290
Capital projects	-	-	-	-	505,981	505,981
Culture recreation	-	-	-	-	219,214	219,214
Debt Service	-	-	-	-	91,973	91,973
Unassigned	396,676	-	(355,844)	(361,642)	(2,046,520)	(2,367,330)
Total fund balances	\$ 1,043,499	\$ 175,692	\$ (355,844)	\$ (361,642)	\$ (945,459)	\$ (443,754)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

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.

In March 2016, the City issued Capital Improvement Revenue Note, Series 2016 to purchase certain equipment and make improvements to City Hall. The note is secured by the requirement to annually budget and appropriate from legally available non-ad valorem revenues amounts needed for annual debt service payments. The Note is in the amount of \$1,525,000 with an interest rate of 2.15%.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION PLANS

September 30, 2015

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age**	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((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%
10/1/2010	-	214,289	214,289	0.0%	7,470,019	2.9%
10/1/2007	-	139,397	139,397	0.0%	6,381,264	2.2%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended September 30	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
2015	\$ 27,960	0%	\$ 100,034
2014	27,473	0%	104,924
2013	22,753	0%	107,651
2012	21,787	0%	90,782
2011	11,533	0%	72,496
2010	20,321	0%	60,963
2009	40,642	0%	40,642

CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

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

September 30, 2015

	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
Total Pension Liability			
Service Cost	\$ 381,485	\$ 360,391	\$ 333,695
Interest	878,385	812,355	765,641
Change in Excess State Money	328	-	-
Differences Between Expected and Actual Experience	(72,066)	-	-
Contributions - Buy Back	-	32,858	-
Changes of Assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	(363,987)	(438,639)	(645,582)
Net Change in Total Pension Liability	824,145	766,965	453,754
Total Pension Liability - beginning	<u>10,780,327</u>	<u>10,013,362</u>	<u>9,559,608</u>
Total Pension Liability - ending (a)	<u>\$ 11,604,472</u>	<u>\$ 10,780,327</u>	<u>\$ 10,013,362</u>
Plan Fiduciary Net Position			
Contributions - employer	309,496	316,247	278,574
Contributions - state	83,619	79,280	77,207
Contributions - employee	182,992	193,826	183,481
Contributions - buy back	-	32,858	-
Net Investment Income	(198,020)	924,676	921,377
Benefit Payments, Including Refunds of Employee Contributions	(363,987)	(438,639)	(645,582)
Administrative Expense	(29,378)	(16,039)	(10,500)
Net Change in Plan Fiduciary Net Position	(15,278)	1,092,209	804,557
Plan Fiduciary Net Position - beginning	<u>9,849,903</u>	<u>8,757,694</u>	<u>7,953,137</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 9,834,625</u>	<u>\$ 9,849,903</u>	<u>\$ 8,757,694</u>
Net Pension Liability - ending (a) - (b)	<u>\$ 1,769,847</u>	<u>\$ 930,424</u>	<u>\$ 1,255,668</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.75%	91.37%	87.46%
Covered-employee Payroll*	\$ 1,429,622	\$ 1,514,268	\$ 1,433,445
Net Pension Liability as a Percentage of Covered Employee Payroll	123.80%	61.44%	87.60%

*The Covered Employee payroll figures were not available. The reported CEP figures were based on the received census data.

CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
POLICE OFFICERS' PENSION PLAN

September 30, 2015

	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
Actuarially Determined Contribution	\$ 360,266	\$ 395,527	\$ 355,781
Contributions in Relation to the			
Actuarially Determined Contribution	<u>392,787</u>	<u>395,527</u>	<u>355,781</u>
Contribution Deficiency (Excess)	<u>\$ (32,521)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	1,429,622	1,514,268	1,433,445
Contributions as a Percentage of			
Covered Employee Payroll	27.47%	26.12%	24.82%

Notes to Schedule

Valuation Date 10/1/2013
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 10/01/2013)	
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.	
Interest Rate	8.0% per year, compounded annually net of investment related expenses.	
Inflation	3.0% per year	
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.	
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	<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
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.	
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%

CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS
POLICE OFFICERS' PENSION PLAN

September 30, 2015

	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
Annual Money-Weighted Rate of Return			
Net of Investment Expense	-2.00%	10.49%	11.66%

CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

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

September 30, 2015

	9/30/2015	9/30/2014	9/30/2013
Total Pension Liability			
Service Cost	\$ 313,761	\$ 286,443	\$ 265,225
Interest	511,187	463,813	419,539
Change in Excess State Money	4,976	6,494	-
Differences between Expected and Actual Experience	(289,327)	-	-
Changes of Assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	(206,685)	(164,118)	(140,990)
Net Change in Total Pension Liability	333,912	592,632	543,774
Total Pension Liability - beginning	6,239,557	5,646,925	5,103,151
Total Pension Liability - ending (a)	<u>\$ 6,573,469</u>	<u>\$ 6,239,557</u>	<u>\$ 5,646,925</u>
Plan Fiduciary Net Position			
Contributions - employer	300,743	304,533	259,897
Contributions - state	82,591	84,109	82,682
Contributions - employee	47,264	46,734	44,127
Contributions - buy back	-	-	-
Net Investment Income	(110,340)	480,285	475,192
Benefit Payments, Including Refunds of Employee Contributions	(206,685)	(164,118)	(140,990)
Administrative Expense	(15,428)	(19,264)	(21,244)
Net Change in Plan Fiduciary Net Position	98,145	732,279	699,664
Plan Fiduciary Net Position - beginning	5,375,793	4,643,514	3,943,850
Plan Fiduciary Net Position - ending (b)	<u>\$ 5,473,938</u>	<u>\$ 5,375,793</u>	<u>\$ 4,643,514</u>
Net Pension Liability - ending (a) - (b)	<u>\$ 1,099,531</u>	<u>\$ 863,764</u>	<u>\$ 1,003,411</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.27%	86.16%	82.23%
Covered-employee Payroll*	\$ 1,350,400	\$ 1,335,248	\$ 1,260,784
Net Pension Liability as a Percentage of Covered Employee Payroll	81.42%	64.69%	79.59%

*The Covered Employee payroll figures were not available. The reported CEP figures were based on the received census data.

CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
FIREFIIGHTERS' PENSION PLAN

September 30, 2015

	9/30/2015	9/30/2014	9/30/2013
Actuarially Determined Contribution	\$ 367,851	\$ 382,148	\$ 337,512
Contributions in Relation to the Actuarially Determined Contribution	378,358	382,148	337,512
Contribution Deficiency (Excess)	\$ (10,507)	\$ -	\$ -
Covered Employee Payroll*	1,350,400	1,335,248	1,260,784
Contributions as a Percentage of Covered Employee Payroll	28.02%	28.62%	26.77%

Notes to Schedule

Valuation Date 10/1/2013

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%

CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS
FIREFIGHTERS' PENSION PLAN

September 30, 2015

	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
Annual Money-Weighted Rate of Return			
Net of Investment Expense	-2.03%	10.20%	11.72%

CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY - FLORIDA RETIREMENT SYSTEM

September 30, 2015

	Florida Retirement System Last 10 Fiscal Years	
	2015	2014
City's Proportion of the Net Pension Liability	0.01650%	0.01544%
City's Proportionate Share of the Net Pension Liability	\$ 2,131,717	\$ 941,921
City's Covered-employee Payroll	\$ 4,452,539	*
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	47.88%	*
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%	96.09%

* Not available

	Health Insurance Subsidy Last 10 Fiscal Years	
	2015	2014
City's Proportion of the Net Pension Liability	0.01580%	0.01542%
City's Proportionate Share of the Net Pension Liability	\$ 1,611,045	\$ 1,441,348
City's Covered-employee Payroll	\$ 4,452,539	*
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	36.18%	*
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.50%	0.99%

* Not available

* Only one year of data available.

CITY OF TAVARES, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM

September 30, 2015

Florida Retirement System
Last 10 Fiscal Years*

	<u>2015</u>
Contractually Required Contribution	\$ 406,224
Contributions in Relation to the Contractually Required Contributions	<u>406,224</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
City's Covered Payroll	\$ 4,452,539
Contributions as a Percentage of Covered-employee Payroll	9.12%

Health Insurance Subsidy
Last 10 Fiscal Years*

	<u>2015</u>
Contractually Required Contribution	\$ 67,437
Contributions in Relation to the Contractually Required Contributions	<u>67,437</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
City's Covered Payroll	\$ 4,452,539
Contributions as a Percentage of Covered-employee Payroll	1.51%

* Only one year of data available.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

Capital Project Funds

Capital Projects Fund

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

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Culture and recreation	-	-	514	(514)
Capital Outlay	-	1,209,083	1,207,915	1,168
Total Expenditures	<u>-</u>	<u>1,209,083</u>	<u>1,208,429</u>	<u>654</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(1,209,083)</u>	<u>(1,208,429)</u>	<u>654</u>
Other Financing Sources (Uses)				
Transfers in	-	-	2,450,000	(2,450,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>2,450,000</u>	<u>(2,450,000)</u>
Net Change in Fund Balances	<u>-</u>	<u>(1,209,083)</u>	<u>1,241,571</u>	<u>(2,449,346)</u>
Fund Balances - Beginning	<u>(1,603,213)</u>	<u>(1,603,213)</u>	<u>(1,603,213)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (1,603,213)</u>	<u>\$ (2,812,296)</u>	<u>\$ (361,642)</u>	<u>\$ (2,449,346)</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
- Pavilion** - Accounts for the revenues and expenditures of the Wooton Park Pavilion.
- Grants** - Accounts for the expenditure of grant funds awarded by agencies of the Federal and State governments.

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, 2015

	Special Revenue					
	Police Training	Infrastructure Special Revenue	Police Services Impacts	Fire/Rescue Services Impacts	Police Forfeitures	Parks & Recreation Impacts
Assets:						
Cash and cash equivalents	\$ 5,181	\$ 1,357,926	\$ 91,677	\$ 142,361	\$ 27,072	\$ 134,315
Receivables, net	-	-	-	-	-	-
Receivable from other governments	-	126,317	-	-	-	-
Total assets	<u>\$ 5,181</u>	<u>\$ 1,484,243</u>	<u>\$ 91,677</u>	<u>\$ 142,361</u>	<u>\$ 27,072</u>	<u>\$ 134,315</u>
Liabilities and Fund Balances:						
Accounts payable	\$ -	\$ 36,591	\$ -	\$ -	\$ 2,332	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	218,745	-	-	-	-
Customer deposits	-	-	-	-	-	-
Unearned revenue	-	-	1,759	7,602	-	-
Matured bonds payable	-	676,919	-	-	-	-
Matured interest payable	-	46,007	-	-	-	-
Total liabilities	<u>-</u>	<u>978,262</u>	<u>1,759</u>	<u>7,602</u>	<u>2,332</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	5,181	505,981	89,918	134,759	24,740	134,315
Unassigned	-	-	-	-	-	-
Total fund balances	<u>5,181</u>	<u>505,981</u>	<u>89,918</u>	<u>134,759</u>	<u>24,740</u>	<u>134,315</u>
Total liabilities and fund balances	<u>\$ 5,181</u>	<u>\$ 1,484,243</u>	<u>\$ 91,677</u>	<u>\$ 142,361</u>	<u>\$ 27,072</u>	<u>\$ 134,315</u>

Special Revenue				Permanent Funds				
Pavilion Fund	Grant Fund	Flag Pole Fund	Total Special Revenue Funds	Debt Service Fund	Playground Fund	Library Building Fund	Total Permanent Funds	Total Other Governmental Funds
\$ 76,054	\$ 14,965	\$ 17,309	\$ 1,866,860	\$ 91,973	\$ 32,878	\$ 22,884	\$ 55,762	\$ 2,014,595
1,290	-	-	1,290	-	-	-	-	1,290
-	128,034	-	254,351	-	-	-	-	254,351
<u>\$ 77,344</u>	<u>\$ 142,999</u>	<u>\$ 17,309</u>	<u>\$ 2,122,501</u>	<u>\$ 91,973</u>	<u>\$ 32,878</u>	<u>\$ 22,884</u>	<u>\$ 55,762</u>	<u>\$ 2,270,236</u>
\$ 14,212	\$ 80,950	\$ -	\$ 134,085	\$ -	\$ -	\$ -	\$ -	\$ 134,085
5,587	-	-	5,587	-	-	-	-	5,587
2,052,297	-	-	2,271,042	-	-	-	-	2,271,042
11,244	-	-	11,244	-	-	-	-	11,244
40,524	-	-	49,885	-	-	20,926	20,926	70,811
-	-	-	676,919	-	-	-	-	676,919
-	-	-	46,007	-	-	-	-	46,007
<u>2,123,864</u>	<u>80,950</u>	<u>-</u>	<u>3,194,769</u>	<u>-</u>	<u>-</u>	<u>20,926</u>	<u>20,926</u>	<u>3,215,695</u>
-	-	-	-	-	29,295	-	29,295	29,295
-	62,049	17,309	974,252	91,973	3,583	1,958	5,541	1,071,766
<u>(2,046,520)</u>	<u>-</u>	<u>-</u>	<u>(2,046,520)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,046,520)</u>
<u>(2,046,520)</u>	<u>62,049</u>	<u>17,309</u>	<u>(1,072,268)</u>	<u>91,973</u>	<u>32,878</u>	<u>1,958</u>	<u>34,836</u>	<u>(945,459)</u>
<u>\$ 77,344</u>	<u>\$ 142,999</u>	<u>\$ 17,309</u>	<u>\$ 2,122,501</u>	<u>\$ 91,973</u>	<u>\$ 32,878</u>	<u>\$ 22,884</u>	<u>\$ 55,762</u>	<u>\$ 2,270,236</u>

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

For the Year Ended September 30, 2015

	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	-	1,299,744	-	-	-	-
Charges for services	-	-	43,404	81,174	-	83,598
Fines and forfeitures	2,100	-	-	-	17,040	-
Investment income	-	1,120	7	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	2,100	1,300,864	43,411	81,174	17,040	83,598
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	999	-	-	-	-	-
Physical environment	-	74,412	-	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt Service:						
Principal	-	1,113,221	-	-	-	-
Interest and fiscal charges	-	229,764	-	-	-	-
Total expenditures	999	1,417,397	-	-	-	-
Excess (deficiency) of revenues over expenditures	1,101	(116,533)	43,411	81,174	17,040	83,598
Other Financing Sources (Uses):						
Transfers In	-	32,670	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	32,670	-	-	-	-
Net Change in Fund Balances	1,101	(83,863)	43,411	81,174	17,040	83,598
Fund Balances - Beginning	4,080	589,844	46,507	53,585	7,700	50,717
Fund Balances - Ending	\$ 5,181	\$ 505,981	\$ 89,918	\$ 134,759	\$ 24,740	\$ 134,315

Special Revenue				Permanent Funds				
Pavilion Fund	Grant Fund	Flag Pole Fund	Total Special Revenue Funds	Debt Service Fund	Playground Fund	Library Building Fund	Total Permanent Funds	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 263,975	\$ -	\$ -	\$ -	\$ 263,975
-	542,917	-	1,842,661	-	-	-	-	1,842,661
219,874	-	-	428,050	-	-	-	-	428,050
-	-	-	19,140	-	-	-	-	19,140
-	-	-	1,127	211	123	88	211	1,549
7,969	-	-	7,969	-	-	-	-	7,969
<u>227,843</u>	<u>542,917</u>	<u>-</u>	<u>2,298,947</u>	<u>264,186</u>	<u>123</u>	<u>88</u>	<u>211</u>	<u>2,563,344</u>
-	-	-	-	-	-	-	-	-
-	33,640	-	34,639	-	-	-	-	34,639
-	233,040	1,019	308,471	-	-	-	-	308,471
-	197,047	-	197,047	-	-	-	-	197,047
291,235	75,000	-	366,235	-	-	-	-	366,235
112,524	-	-	1,225,745	191,000	-	-	-	1,416,745
72,931	-	-	302,695	81,383	-	-	-	384,078
<u>476,690</u>	<u>538,727</u>	<u>1,019</u>	<u>2,434,832</u>	<u>272,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,707,215</u>
<u>(248,847)</u>	<u>4,190</u>	<u>(1,019)</u>	<u>(135,885)</u>	<u>(8,197)</u>	<u>123</u>	<u>88</u>	<u>211</u>	<u>(143,871)</u>
223,772	-	-	256,442	-	-	-	-	256,442
(2,000,000)	-	-	(2,000,000)	-	-	-	-	(2,000,000)
<u>(1,776,228)</u>	<u>-</u>	<u>-</u>	<u>(1,743,558)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,743,558)</u>
(2,025,075)	4,190	(1,019)	(1,879,443)	(8,197)	123	88	211	(1,887,429)
(21,445)	57,859	18,328	730,988	100,170	32,755	1,870	34,625	865,783
<u>\$ (2,046,520)</u>	<u>\$ 62,049</u>	<u>\$ 17,309</u>	<u>\$ (1,148,455)</u>	<u>\$ 91,973</u>	<u>\$ 32,878</u>	<u>\$ 1,958</u>	<u>\$ 34,836</u>	<u>\$ (1,021,646)</u>

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 1,500	\$ 2,100	\$ 2,100	\$ -
Total revenues	<u>1,500</u>	<u>2,100</u>	<u>2,100</u>	<u>-</u>
Expenditures:				
Current:				
Public Safety	<u>1,500</u>	<u>1,000</u>	<u>999</u>	<u>1</u>
Total Expenditures	<u>1,500</u>	<u>1,000</u>	<u>999</u>	<u>1</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>-</u>	<u>1,100</u>	<u>1,101</u>	<u>1</u>
Net Change in Fund Balances	<u>-</u>	<u>1,100</u>	<u>1,101</u>	<u>1</u>
Fund Balances - Beginning	<u>4,080</u>	<u>4,080</u>	<u>4,080</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 4,080</u>	<u>\$ 5,180</u>	<u>\$ 5,181</u>	<u>\$ 1</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 1,230,569	\$ 1,259,829	\$ 1,299,744	\$ 39,915
Investment income	400	1,120	1,120	-
Total revenues	<u>1,230,969</u>	<u>1,260,949</u>	<u>1,300,864</u>	<u>39,915</u>
Expenditures:				
Current:				
Physical environment	58,407	107,277	74,412	32,865
Culture and recreation	-	80,000	-	80,000
Debt Service:				
Principal	1,114,920	1,113,221	1,113,221	-
Interest and other charges	230,070	229,764	229,764	-
Total Expenditures	<u>1,403,397</u>	<u>1,530,262</u>	<u>1,417,397</u>	<u>112,865</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(172,428)</u>	<u>(269,313)</u>	<u>(116,533)</u>	<u>152,780</u>
Other Financing Sources (Uses)				
Transfers in	65,340	65,340	32,670	32,670
Total other financing sources and uses	<u>65,340</u>	<u>65,340</u>	<u>32,670</u>	<u>32,670</u>
Net Change in Fund Balances	(107,088)	(203,973)	(83,863)	185,450
Fund Balances - Beginning	<u>589,844</u>	<u>589,844</u>	<u>589,844</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 482,756</u>	<u>\$ 385,871</u>	<u>\$ 505,981</u>	<u>\$ 185,450</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ -	\$ 17,040	\$ 17,040	\$ -
Total revenues	<u>-</u>	<u>17,040</u>	<u>17,040</u>	<u>-</u>
Expenditures:				
Current:				
Public Safety	-	6,525	-	6,525
Total Expenditures	<u>-</u>	<u>6,525</u>	<u>-</u>	<u>6,525</u>
Net Change in Fund Balances	-	10,515	17,040	6,525
Fund Balances - Beginning	<u>7,700</u>	<u>7,700</u>	<u>7,700</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 7,700</u>	<u>\$ 18,215</u>	<u>\$ 24,740</u>	<u>\$ 6,525</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Impact fees/special assessments	\$ 22,614	\$ 43,405	\$ 43,404	\$ (1)
Investment income	20	7	7	-
Total revenues	<u>22,634</u>	<u>43,412</u>	<u>43,411</u>	<u>(1)</u>
Net Change in Fund Balances	22,634	43,412	43,411	(1)
Fund Balances - Beginning	<u>46,507</u>	<u>46,507</u>	<u>46,507</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 69,141</u>	<u>\$ 89,919</u>	<u>\$ 89,918</u>	<u>\$ (1)</u>

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Impact fees/special assessments	\$ 14,093	\$ 81,174	\$ 81,174	\$ -
Total revenues	<u>14,113</u>	<u>81,174</u>	<u>81,174</u>	<u>-</u>
Net Change in Fund Balances	14,113	81,174	81,174	-
Fund Balances - Beginning	<u>53,585</u>	<u>53,585</u>	<u>53,585</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 67,698</u>	<u>\$ 134,759</u>	<u>\$ 134,759</u>	<u>\$ -</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 46,199	\$ 83,599	\$ 83,598	\$ (1)
Total revenues	<u>46,199</u>	<u>83,599</u>	<u>83,598</u>	<u>(1)</u>
Expenditures:				
Current:				
Culture and recreation	-	120,000	-	120,000
Total Expenditures	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net Change in Fund Balances	46,199	(36,401)	83,598	119,999
Fund Balances - Beginning	<u>50,717</u>	<u>50,717</u>	<u>50,717</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 96,916</u>	<u>\$ 14,316</u>	<u>\$ 134,315</u>	<u>\$ 119,999</u>

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 541,326	\$ 240,676	\$ 219,874	\$ (20,802)
Miscellaneous	18,750	7,969	7,969	-
Total revenues	<u>560,076</u>	<u>248,645</u>	<u>227,843</u>	<u>(20,802)</u>
Expenditures:				
Current:				
Culture and recreation	310,261	294,766	291,235	3,531
Debt Service:				
Principal	113,000	113,000	112,524	476
Interest and other charges	72,456	72,456	72,931	(475)
Total Expenditures	<u>495,717</u>	<u>480,222</u>	<u>476,690</u>	<u>3,532</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>64,359</u>	<u>(231,577)</u>	<u>(248,847)</u>	<u>(17,270)</u>
Other Financing Sources (Uses)				
Transfers in	-	231,577	223,772	7,805
Transfers out	-	-	(2,000,000)	(2,000,000)
Total other financing sources and uses	<u>-</u>	<u>231,577</u>	<u>(1,776,228)</u>	<u>(1,992,195)</u>
Net Change in Fund Balances	64,359	-	(2,025,075)	2,025,075
Fund Balances - Beginning	<u>(21,445)</u>	<u>(21,445)</u>	<u>(21,445)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 42,914</u>	<u>\$ (21,445)</u>	<u>\$ (2,046,520)</u>	<u>\$ 2,025,075</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 446,917	\$ 3,383,905	\$ 542,917	\$ (2,840,988)
Total revenues	<u>446,917</u>	<u>3,383,905</u>	<u>542,917</u>	<u>(2,840,988)</u>
Expenditures:				
Current:				
Public safety	5,743	35,600	33,640	1,960
Physical environment	193,174	2,831,097	233,040	2,598,057
Economic environment	-	75,000	197,047	(122,047)
Culture and recreation	248,000	448,000	75,000	373,000
Total Expenditures	<u>446,917</u>	<u>3,389,697</u>	<u>538,727</u>	<u>2,850,970</u>
Net Change in Fund Balances	-	(5,792)	4,190	9,982
Fund Balances - Beginning	<u>57,859</u>	<u>57,859</u>	<u>57,859</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 57,859</u>	<u>\$ 52,067</u>	<u>\$ 62,049</u>	<u>\$ 9,982</u>

CITY OF TAVARES, FLORIDA

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

For the Year Ended September 30, 2015

	<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>
Expenditures:				
Current:				
Physical environment	11,120	1,020	1,019	1
Total Expenditures	<u>11,120</u>	<u>1,020</u>	<u>1,019</u>	<u>1</u>
Net Change in Fund Balances	(11,120)	(1,020)	(1,019)	1
Fund Balances - Beginning	<u>18,328</u>	<u>18,328</u>	<u>18,328</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 7,208</u>	<u>\$ 17,308</u>	<u>\$ 17,309</u>	<u>\$ 1</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, 2015

	<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:				
Taxes and special assessments	\$ 272,395	\$ 263,975	\$ 263,975	\$ -
Investment income	44	211	211	-
Total revenues	<u>272,439</u>	<u>264,186</u>	<u>264,186</u>	<u>-</u>
Expenditures:				
Debt Service:				
Principal	191,000	191,000	191,000	-
Interest and other charges	81,384	81,384	81,383	1
Total Expenditures	<u>272,384</u>	<u>272,384</u>	<u>272,383</u>	<u>1</u>
Net Change in Fund Balances	55	(8,198)	(8,197)	1
Fund Balances - Beginning	<u>100,170</u>	<u>100,170</u>	<u>100,170</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 100,225</u>	<u>\$ 91,972</u>	<u>\$ 91,973</u>	<u>\$ 1</u>



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STATISTICAL SECTION



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STATISTICAL SECTION

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

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Financial Trends

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

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

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

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Operating Indicators by Function/Program	120

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			
	2006	2007	2008	2009
Governmental activities				
Invested in capital assets, net of related debt	\$ 4,669,978	\$ 8,934,374	\$ 2,448,345	\$11,503,013
Restricted	330,686	443,735	8,892,713	559,256
Unrestricted	8,664,451	6,680,746	5,892,606	4,528,925
Total government activities net assets	<u>\$13,665,115</u>	<u>\$16,058,855</u>	<u>\$17,233,664</u>	<u>\$16,591,194</u>
Business-type activities				
Invested in capital assets, net of related debt	\$12,008,907	\$12,217,957	\$12,458,902	\$13,570,146
Restricted	3,473,963	3,879,231	3,560,828	4,263,939
Unrestricted	10,534,843	11,606,473	12,308,051	10,986,019
Total business-type activities net assets	<u>\$26,017,713</u>	<u>\$27,703,661</u>	<u>\$28,327,781</u>	<u>\$28,820,104</u>
Primary government				
Invested in capital assets, net of related debt	\$16,678,885	\$21,152,331	\$14,907,247	\$25,073,159
Restricted	3,804,649	4,322,966	12,453,541	4,823,195
Unrestricted	19,199,294	18,287,219	18,200,657	15,514,944
Total primary government net assets	<u>\$39,682,828</u>	<u>\$43,762,516</u>	<u>\$45,561,445</u>	<u>\$45,411,298</u>

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$12,286,623	\$13,351,075	\$14,093,258	\$14,032,686	\$16,498,925	\$ 19,011,685
378,453	1,415,179	895,131	800,365	1,223,655	1,276,753
4,265,666	1,863,858	1,248,400	1,630,371	(219,472)	(6,355,282)
<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>	<u>\$ 13,933,156</u>
\$15,382,496	\$17,448,142	\$16,899,453	\$18,123,311	\$18,478,622	\$ 19,175,272
4,356,923	4,442,498	4,763,265	5,209,216	5,910,482	6,253,305
10,646,671	9,036,191	9,136,698	8,125,750	9,705,339	10,066,710
<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>	<u>\$ 35,495,287</u>
\$27,669,119	\$30,799,217	\$30,992,711	\$32,155,997	\$34,977,547	\$ 38,186,957
4,735,376	5,857,677	5,658,396	6,009,581	7,134,137	7,530,058
14,912,337	10,900,049	10,385,098	9,756,121	9,485,867	3,711,428
<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>	<u>\$ 49,428,443</u>

CITY OF TAVARES, FLORIDA

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

(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 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	\$ 4,037,720
Public safety	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	5,812,508
Physical environment	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	2,228,153
Economic environment	-	-	474,877	421,225	374,745	418,481	298,767	1,187,237	1,711,442	510,033
Culture & recreation	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	1,816,003
Interest & other fiscal charges on long-term debt	282,156	260,827	536,771	565,029	527,574	486,329	506,674	462,912	416,484	381,845
Total governmental activities expenses	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	14,786,262
Business-type activities:										
Water & sewer	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	6,190,916
Sanitation	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	1,687,934
Stormwater	177,242	216,931	279,931	328,962	284,874	415,247	307,064	371,287	397,368	461,110
Seaplane Base	-	-	-	-	233,718	557,946	612,208	618,676	713,219	642,806
Total business-type activities expenses	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	8,982,766
Total primary government expenses	\$ 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	\$ 23,769,028
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 59,457	\$ 75,698	\$ 65,955	\$ 58,531	\$ 27,751	\$ 41,094	\$ 52,894	\$ 196,043	\$ 59,912	\$ 22,969
Public safety	222,568	245,810	228,874	207,377	73,610	86,891	39,959	1,539,220	1,628,198	1,726,953
Physical environment	1,789,975	851,806	553,083	284,376	291,976	322,005	621,449	552,983	775,432	885,851
Economic environment	-	-	7,300	17,764	16,972	15,616	13,587	11,150	6,525	46,056
Culture & recreation	114,576	136,235	172,487	112,981	113,901	149,546	108,420	119,784	188,132	416,539
Operating grants and contributions	826,303	498,532	546,080	590,825	594,877	637,199	550,470	514,832	639,973	539,779
Capital grants and contributions	7,584	187,448	625,773	443,670	706,155	165,656	84,396	784,073	1,710,293	532,984
Total governmental activities program revenues	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	4,171,131

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services:										
Water & Sewer	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	8,209,457
Solid Waste	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	2,746,477
Stormwater	305,611	311,354	457,742	457,742	513,257	525,369	537,093	661,120	797,195	964,612
Seaplane Base	-	-	-	-	104,303	273,256	289,383	301,130	341,514	310,651
Operating grants and contributions	-	-	-	-	432,765	213,389	317,439	432,765	191,588	6,412
Capital grants and contributions	1,837,338	589,958	219,348	796,124	1,751,379	963	3,384	62,437	473,635	851,788
Total business-type activities program revenues	9,988,737	9,487,183	9,290,602	9,867,378	11,324,208	10,396,994	11,134,647	11,784,478	13,298,374	13,089,397
Total government program revenues	\$ 13,009,200	\$ 11,482,712	\$ 11,490,154	\$ 11,582,902	\$ 13,149,450	\$ 11,815,001	\$ 12,605,822	\$ 15,502,563	\$ 18,306,839	\$ 17,260,528
Net (expense)/revenue	-	-	-	-	-	-	-	-	-	-
Governmental activities	\$ (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)	\$ (10,615,131)
Business-type activities	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	4,106,631
Total government net expense	\$ (3,221,698)	\$ (7,080,472)	\$ (9,104,018)	\$ (10,357,348)	\$ (8,194,596)	\$ (9,619,856)	\$ (10,269,733)	\$ (7,489,572)	\$ (6,214,303)	\$ (6,508,500)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 4,485,134
Franchise and utility taxes	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	2,944,299
Intergovernmental	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	2,586,042
Investment earnings	776,602	638,466	167,850	167,850	180,471	130,853	116,209	167,118	221,333	148,756
Transfers	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	1,701,403
Total governmental activities	9,306,060	11,527,641	11,896,791	11,902,705	11,626,446	11,489,411	11,380,729	10,639,752	11,343,028	11,865,634
Business-type activities:										
Investment earnings	560,070	750,850	77,214	77,214	82,139	83,308	43,878	9,589	178,373	31,644
Transfers	(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)	(1,701,403)
Total business-type activities	(480,486)	(367,481)	(1,695,504)	(1,695,504)	(1,526,316)	(1,629,444)	(1,631,734)	(1,602,519)	(1,452,873)	(1,669,759)
Total government	\$ 8,825,574	\$ 11,160,160	\$ 10,201,287	\$ 10,207,201	\$ 10,100,130	\$ 9,859,967	\$ 9,748,995	\$ 9,037,233	\$ 9,890,155	\$ 10,195,875
Change in Net Position										
Governmental activities	\$ 2,802,490	\$ 2,393,740	\$ 1,164,826	\$ (642,470)	\$ 339,548	\$ (300,630)	\$ (393,323)	\$ 226,633	\$ 1,039,686	\$ 1,250,603
Business-type activities	2,801,386	1,685,948	(67,557)	492,323	1,565,986	540,741	(127,415)	1,321,028	2,636,166	2,436,772
Total government	\$ 5,603,876	\$ 4,079,688	\$ 1,097,269	\$ (150,147)	\$ 1,905,534	\$ 240,111	\$ (520,738)	\$ 1,547,661	\$ 3,675,852	\$ 3,687,375



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CITY OF TAVARES, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE ¹
LAST TEN FISCAL YEARS

(accrual basis of accounting)

Fiscal Year	Property Taxes	Franchise Fees	Utility Taxes	Total Taxes
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
2015	4,485,134	1,059,183	1,885,116	7,429,433

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)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund				
Reserved	\$ 2,344	\$ 5,038	\$ 6,851	\$ 4,765
Unreserved	5,457,407	4,174,174	3,163,338	1,979,038
Total general fund	<u>\$ 5,459,751</u>	<u>\$ 4,179,212</u>	<u>\$ 3,170,189</u>	<u>\$ 1,983,803</u>
All other governmental funds				
Reserved	\$ 330,952	\$ 475,695	\$ 354,727	\$ 437,473
Unreserved, reported in:				
Special revenue funds	3,464,535	2,729,220	2,740,750	2,641,910
Capital projects funds	-	-	8,569,809	7,057,211
Permanent funds	1,927	2,382	1,873	1,612
Total all other governmental funds	<u>\$ 3,797,414</u>	<u>\$ 3,207,297</u>	<u>\$ 11,667,159</u>	<u>\$ 10,138,206</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					
2010	2011	2012	2013	2014	2015
\$ 4,291	n/a	n/a	n/a	n/a	n/a
2,256,860	n/a	n/a	n/a	n/a	n/a
<u>\$ 2,261,151</u>	<u>\$ -</u>				
\$ 284,095	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a
2,021,372	n/a	n/a	n/a	n/a	n/a
2,267,904	n/a	n/a	n/a	n/a	n/a
1,643	n/a	n/a	n/a	n/a	n/a
<u>\$ 4,575,014</u>	<u>\$ -</u>				
	Post GASB 54				
	2011	2012	2013	2014	2015
	\$ 265,386	\$ 318,063	\$ 537,904	\$ 540,551	\$ 646,823
	-	-	-	-	-
	244,875	-	112,624	-	-
	1,475,998	1,056,371	574,523	645,630	396,676
	<u>\$ 1,986,259</u>	<u>\$ 1,374,434</u>	<u>\$ 1,225,051</u>	<u>\$ 1,186,181</u>	<u>\$ 1,043,499</u>
	\$ 29,570	\$ 29,570	\$ 567,199	\$ 569,846	\$ 676,118
	3,174,339	3,205,475	3,533,635	1,194,360	1,247,458
	147,081	-	-	-	-
	-	-	112,624	-	-
	-	-	574,523	(957,583)	(2,367,330)
	<u>\$ 3,350,990</u>	<u>\$ 3,235,045</u>	<u>\$ 4,787,981</u>	<u>\$ 806,623</u>	<u>\$ (443,754)</u>

CITY OF TAVARES, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
<u>Revenues</u>				
Taxes	\$ 5,099,570	\$ 6,318,078	\$ 7,376,717	\$ 8,020,036
Licenses and permits	1,825,939	891,925	594,510	326,424
Intergovernmental	3,223,219	4,138,746	3,751,360	2,976,596
Charges for services	138,070	155,752	178,355	142,389
Fines and forfeitures	99,372	161,784	71,279	61,931
Impact fees/assessments	123,195	100,088	183,554	150,285
Investment earnings	557,181	518,555	331,009	48,503
Miscellaneous	219,421	119,911	189,512	119,347
Total Revenues	<u>11,285,967</u>	<u>12,404,839</u>	<u>12,676,296</u>	<u>11,845,511</u>
<u>Expenditures</u>				
General government	1,888,047	2,316,117	2,505,907	2,622,842
Public safety	3,795,701	5,485,795	5,558,519	5,565,968
Physical environment	4,530,057	4,343,445	3,025,680	2,431,626
Economic environment	-	-	595,986	424,454
Culture & recreation	1,989,992	2,198,206	2,771,300	3,877,686
Capital outlay ¹	-	-	-	-
Debt service				
Principal	757,993	789,436	811,151	845,963
Interest	282,156	260,827	486,944	565,029
Bond issuance costs	-	-	-	-
Total expenditures	<u>13,243,946</u>	<u>15,393,826</u>	<u>15,755,487</u>	<u>16,333,568</u>
Excess of revenues over (under) expenditures	(1,957,979)	(2,988,987)	(3,079,191)	(4,488,057)
<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	1,320,699	1,389,418	10,862,352	2,344,891
Transfers out	(280,143)	(271,087)	(9,432,322)	(572,173)
Total other financing sources (uses)	<u>1,347,952</u>	<u>1,118,331</u>	<u>10,530,030</u>	<u>1,772,718</u>
Net change in fund balances	<u>\$ (610,027)</u>	<u>\$ (1,870,656)</u>	<u>\$ 7,450,839</u>	<u>\$ (2,715,339)</u>
Debt service as a percentage of noncapital expenditures	<u>12.03%</u>	<u>10.33%</u>	<u>10.25%</u>	<u>10.42%</u>

Note:

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 7,898,924	\$ 7,414,935	\$ 6,993,253	\$ 6,993,253	\$ 7,101,990	\$ 7,429,433
333,696	366,984	666,440	666,440	810,072	914,903
3,239,627	3,033,726	3,230,521	3,230,521	4,738,725	3,658,805
102,559	154,119	122,236	122,236	1,807,454	576,344
61,092	94,049	47,633	47,633	40,673	48,845
26,864	-	-	-	-	1,558,276
62,727	26,596	29,079	29,079	7,290	10,638
117,744	104,257	87,130	87,130	214,043	138,118
<u>11,843,233</u>	<u>11,194,666</u>	<u>11,176,292</u>	<u>11,176,292</u>	<u>14,720,247</u>	<u>14,335,362</u>
2,486,462	2,452,401	2,581,504	2,581,504	2,686,306	2,926,983
5,106,502	5,555,549	5,319,872	5,319,872	6,272,625	5,736,338
2,616,081	1,983,795	1,931,000	1,931,000	1,743,596	2,351,901
373,808	413,677	292,110	292,110	1,706,500	536,766
6,534,385	2,382,151	2,241,657	2,241,657	2,287,092	2,698,589
-	-	2,908,290	2,908,290	4,438,507	1,207,915
1,090,935	1,130,581	7,757,136	7,757,136	1,244,506	1,443,533
529,359	488,180	510,966	510,966	418,679	385,217
-	-	-	-	-	-
<u>18,737,532</u>	<u>14,406,334</u>	<u>23,542,535</u>	<u>23,542,535</u>	<u>20,797,811</u>	<u>17,287,242</u>
(6,894,299)	(3,211,668)	(12,366,243)	(12,366,243)	(6,077,564)	(2,951,880)
-	-	9,830,000	9,830,000	-	-
-	-	132,861	132,861	464,960	-
-	-	-	-	-	-
2,032,372	2,275,150	5,587,172	5,587,172	3,835,724	6,446,403
(423,917)	(562,398)	(3,911,560)	(3,911,560)	(2,204,478)	(4,744,900)
<u>1,608,455</u>	<u>1,712,752</u>	<u>11,638,473</u>	<u>11,638,473</u>	<u>2,096,206</u>	<u>1,701,503</u>
-	-	-	-	-	-
<u>\$ (5,285,844)</u>	<u>\$ (1,498,916)</u>	<u>\$ (727,770)</u>	<u>\$ (727,770)</u>	<u>\$ (3,981,358)</u>	<u>\$ (1,250,377)</u>
<u>12.92%</u>	<u>15.80%</u>	<u>42.00%</u>	<u>11.81%</u>	<u>11.81%</u>	<u>18.54%</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
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%
2015	635,249,590	395,760,495	62.30%	195,656,874	30.80%

Note: ** Data not available

Note: *Excludes Centrally Assessed Properties*

<u>Personal Property</u>	<u>Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Value as a Percentage of Actual Value</u>
37,776,586	**	443,134,463	5.4200	**	**
37,685,696	**	520,036,753	5.4200	**	**
44,780,670	**	723,071,465	5.4200	**	**
14,306,696	218,101,130	869,300,751	5.4200	869,300,751	100.00%
48,090,004	151,848,139	810,116,659	6.2500	810,116,659	100%
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	6.8900	592,010,315	100%
52,128,871	367,031,678	557,552,784	6.4531	557,552,784	100%
43,832,222	404,380,311	635,249,590	6.7283	635,249,590	100%

CITY OF TAVARES, FLORIDA

PROPERTY TAX RATES
DIRECT AND OVERLAPPING¹ GOVERNMENTS
LAST TEN FISCAL YEARS²

Fiscal Year	Direct City of Tavares Operating Millage	City of Tavares Debt Service Millage	Overlapping Rates										
			Lake County			Lake County School District			Independent Hospital District	Lake County Water Authority	St. John's Water Management District	Total Direct & Overlapping Rates	
			Operating Millage	Debt Service Millage	MSTU ³	Operating Millage	Capital Outlay	Total School Millage					
2005	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
2006	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
2007	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
2015	6.7283	0.4286	5.3856	0.1600	1.4290	6.9746	5.7460	1.5000	7.2460	1.0000	0.2554	0.3164	22.9493

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, 2015

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lakeview Crest LLC	\$ 11,171,628	1	1.76%			
MCBG LLC	7,958,553	2	1.25%			
Sumter Electric	6,369,832	3	1.00%			
Embarq-Florida Inc	5,019,592	4	0.79%			
Cole Ko Tavares LLC	4,607,059	5	0.72%			
Stag III Tavares LLC	3,834,583	6	0.60%			
GW Schultz Tool Company Inc	3,331,222	7	0.52%			
Duke Energy	3,301,845	8	0.52%			
BLC Tavares-GC LLC	3,087,942	9	0.49%			
Tavares Village Property Holders LLC	3,057,392	10	0.48%			
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>\$ 51,739,648</u>		<u>8.14%</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
2006	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%
2015	4,277,136	3,599,357	84.15%	123,521	3,722,878	87.04%

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	Notes Payable	Capital Lease			
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	26,107,432	457,319	47,737,410	8.75%	3,397
2015	-	13,023,005	41,121	6,325,000	29,657,665	362,356	49,409,147	8.66%	3,271

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
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
2015	2,747,000	36,918	2,710,082	**	179

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, 2015

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	\$ 24,390,458	4%	\$ 975,618
Subtotal, overlapping debt			
Direct Debt:			
City of Tavares General Obligation Debt ³	2,747,000	100%	2,747,000
Total direct and overlapping debt	<u>\$ 27,137,458</u>		<u>\$ 3,722,618</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, 2015

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	
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
2015	8,212,984	3,920,052	4,292,932	1,046,323	294,507	1,340,830	3.20

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>Unemploy- ment Rate</u>
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%
2015	15,106	570,674	37,778	52.6	13.13	41,343	5.2%

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	2015			2006		
	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 ³	721	3	2.06%	624	4	**
Lake County Board of County Commissioners	729	4	2.08%	730	3	**
G&T Conveyor	550	5	1.57%	550	5	**
Cornerstone Hospice	468	6	1.34%	**	**	**
Lake County Clerk of Court ⁴	212	7	0.61%	125	6	**
City of Tavares	165	8	0.47%	125	6	**
Winn-Dixie	110	9	0.31%	**	**	**
Lake County Tax Collector ⁴	68	10	0.19%	58	8	**
Total	<u>9,940</u>		<u>28.40%</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 2007
3. Metro Orlando Economic Development Commission
4. Updates for 2015 are unavailable - data represents 2014

CITY OF TAVARES, FLORIDA

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	28	27	29	31	30	29	28	28	28	29
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	8
Economic development	-	-	-	2	2	2	2	2	2	2
Marina/Prop Shop	-	-	-	-	-	-	6	6	5	7
Water/Wastewater/SW	25	32	33	31	31	29	30	29	30	31
Solid Waste ³	7	8	8	8	8	7	7	6	7	8
Culture & recreation	26	28	29	28	27	25	25	24	25	27
Total	137	147	169	177	172	161	164	164	166	165

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Auto accidents	489	398	584	626	557	541	541	604	578	21
Physical arrests	351	342	314	333	270	398	352	252	354	268
Criminal investigations conducted	820	354	293	374	259	180	185	262	227	176
Total calls for service	24,875	31,557	36,108	33,412	30,697	27,222	21,704	19,318	21,317	15,100
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	809
Community Development										
Total permits issued	1,335	953	858	1,148	1,052	419	679	1,170	1,318	1,230
Construction inspections	7,549	2,003	2,495	1,650	2,611	1,642	2,081	3,634	3,666	4,941
Physical Environment										
Streets paved (miles)	117	117	118	118	118	118	118	118	-	123
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	65,229
Culture and Recreation										
Sports complex ball games & field rentals	**	680	655	765		496	509	518	685	639
Library cards issued	1,844	1,762	1,615	1,616	1,189	1,129	1,234	1,233	1,309	2,282
Water/Wastewater										
New connections	748	375	192	152	112	596	393	273	336	563
Number of customers	7,426	6,419	6,405	6,120	7,011	7,067	7,128	7,452	7,504	7,604
Water main breaks	10	-	9	3	8	10	4	12	9	5
Average daily consumption (millions of gallons)	3	3	3	3	3	3	3	3	3	3
Meter reads	8,141	8,380	8,753	8,876	8,909	8,982	9,088	9,277	9,432	9,475
General Government										
Employment applications received	521	829	729	698	829	626	357	292	482	613
Personnel actions processed	275	307	345	242	307	40	40	191	207	268
Legal notices published	184	87	44	27	68	39	39	34	56	88
Occupational licenses issued	772	861	938	956	976	995	956	965	969	1,172
Accidents and injuries reviewed	18	15	12	14	15	14	39	17	11	12
Land use amendments and rezonings	23	15	25	13	22	6	18	12	14	37
License/Permit reviews	**	1,650	876	579	1,218	722	1,150	1,150	1,107	1,230
Employees paid	224	203	198	185	203	207	200	208	204	220
Checks deposited	65,301	63,410	58,533	57,098	35,411	40,352	53,880	45,321	46,518	41,830
A/P Checks issued	5,457	6,602	5,812	5,653	5,397	5,235	5,419	5,174	5,651	6,110
Purchase orders/processed	3,549	4,272	4,827	4,390	4,388	4,254	4,400	4,461	4,966	5,266

Note:

** Data not available

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

2. Increase reflects Alfred Street One-Way Pairing Project, CRA Projects, and JPA with FL Dept of Transportation



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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 19, 2016.

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.

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Compliance and Other Matters

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

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
May 19, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor and City Council
City of Tavares, Florida

Report on Compliance for Each Major State Project

We have audited the City of Tavares, Florida's (the City) compliance with the types of compliance requirements described in 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 state projects for the year ended September 30, 2015. The City's major 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 state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major 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; and Chapter 10.550, *Rules of the Auditor General*. Those standards and rules require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the City's compliance.

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Opinion on Each Major 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 state projects for the year ended September 30, 2015.

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 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 state project and to test and report on internal control over compliance in accordance with 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 state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *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 state project 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 Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

McDiernit Davis & Company, LLC

Orlando, Florida
May 19, 2016

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

Year Ended September 30, 2015

State Grantor Pass-through grantor Program title	CSFA Number	Contract/ Grant Number	Expenditures
<u>Direct projects:</u>			
State of Florida, Department of Environmental Protection			
Wastewater Treatment Facility Construction	37.077	350920	\$ 137,087
Major Sewer Rehabilitation *	37.077	350900	738,840
Potable Water Distribution System Upgrade *	37.076	350930	1,197,183
Stormwater Management Design	37.077	350940	173,191
State of Florida, Department of Health			
EMS Program County Grant	64.003	M4073	26,250
State of Florida, Department of Transportation			
State Road 19 Sidewalk Design	N/A	ARC73	5,632
State Road 19 Sidewalk Construction	N/A	ARM91	147,293
Seaplane Basin Master Plan	N/A	ARU64	18,000
			<u>\$ 2,443,476</u>

* Denotes a major project

CITY OF TAVARES, FLORIDA

**NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE**

Year Ended September 30, 2015

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures state financial assistance (the Schedule) includes the state grant activity of the City of Tavares, Florida (the City) under projects of the state government for the year ended September 30, 2015. The information in the Schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net 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, 2015, even if grant or loan was received subsequent to that date. Pass-through entity identifying numbers are presented where available.

CITY OF TAVARES, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE FINANCIAL ASSISTANCE PROJECTS

Year Ended September 30, 2015

Part A - Summary of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Tavares, Florida (the City).
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state financial assistance projects are reported in the Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Project and on Internal Control over Compliance in Accordance with Chapter 10.550, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major state projects for the City expresses an unqualified opinion.
6. The programs tested as major projects included: State of Florida, 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 projects 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, 2015, and have issued our report thereon dated May 19, 2016.

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 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 May 19, 2016, 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. No such recommendations were made in the preceding 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.

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Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require 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

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require 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, 2015, 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, 2015. 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. See Appendix A.

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, State 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
May 19, 2016

**APPENDIX A - CURRENT YEAR RECOMMENDATIONS TO IMPROVE
THE CITY'S FINANCIAL MANAGEMENT**

Year Ended September 30, 2015

ML 15-01 Interfund Loans

Criteria - The GASB states that interfund activity should not be recorded as an interfund loan if it is not expected to be repaid within a reasonable time.

Condition - During our testing of interfund balances we noted loans from the Water and Sewer Fund to the Downtown TIF District Fund, Capital Projects Fund, and the Pavilion Fund. These loans were properly authorized by the City Council and a repayment plan, with interest, was established. However, there is significant doubt that the designated revenue streams will be sufficient to repay the loans within a reasonable time.

Cause - Due to the nature of uncertainty surrounding the establishment new streams of revenue, there is significant doubt that they will be able to grow sufficiently to repay the interfund loans.

Effect - The city may be forced to use general funds or other unrelated revenue sources to pay back the loans.

Recommendation - We recommend identifying adequate funding sources for the repayment of interfund loans, especially when lending from restricted funds.

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, 2015 and have issued our report thereon dated May 19, 2016. 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 May 19, 2016

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.

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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. 68. 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 May 19, 2016.

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
May 19, 2016

**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, 2015. 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, 2015.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
May 19, 2016

MCDIRMIT DAVIS & COMPANY, LLC

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May 19, 2016

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

Re: Management Letter
City of Tavares

In response to Management Letter dated May 19, 2016 pursuant to the City of Tavares annual audit for fiscal year ended September 30, 2015, please find City of Tavares management responses to the Management Letter Audit Comments:

Management Response to Current Year Management Comments:

ML-15-01 – Interfund Loans

Criteria

The GASB states that interfund activity should not be recorded as an interfund loan if it is not expected to be repaid within a reasonable time.

Condition

During our testing of interfund balances we noted loans from the Water and Sewer Fund to the Downtown TIF District Fund, Capital Projects Fund, and the Pavilion Fund. These loans were properly authorized by the City Council and a repayment plan, with interest, was established. However, there is significant doubt that the designated revenue streams will be sufficient to repay the loans within a reasonable time.

Cause

Due to the nature of uncertainty surrounding the establishment of new streams of revenue, there is significant doubt that they will be able to grow sufficiently to repay the interfund loans.

Effect

The city may be forced to use general funds or other unrelated revenue sources to pay back the loans.

Recommendation

We recommend identifying adequate funding sources for the repayment of interfund loans, especially when lending from restricted funds.

Management Response

Management agrees that interfund loans should have adequate funding for repayment.

Management anticipates that repayments for the Pavilion on the Lake project interfund loan will be accomplished with pavilion rental receipt collections. The loan will be reviewed annually during the budget process for additional funding that may be needed to ensure timely repayment.

Management anticipates that repayments for the Train Station Depot interfund loan will be accomplished with train depot rental receipt collections and TIF revenues. The loan will be reviewed annually during the budget process for additional funding that may be needed to ensure timely repayment.

Management has awarded a contract with a consultant to market the proposed Tavares Square Project. The city anticipates that upon the sale and development of the Tavares Square Project as a cornerstone to the redevelopment to the downtown core repayment of the interfund loan for the Tavares Square Project (land purchase) will be accomplished. The loan will be reviewed during the fiscal year 2017 budget process to ensure that project goals align with the interfund loan repayment.

Sincerely,



Lori Houghton
Finance Director

cc: John Drury, City Administrator



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CITY OF TAVARES

Affidavit of Impact Fee Compliance

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

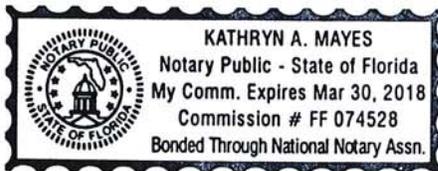
A handwritten signature in blue ink that reads "Lori Houghton". The signature is written in a cursive style and is positioned above a horizontal line.

Lori Houghton
Finance Director

State of Florida

County of Lake

The foregoing instrument was acknowledged before me this 19th day of May, 2016, by Lori Houghton, Finance Director of the City of Tavares on behalf of the City of Tavares. She is personally known to me.



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

Kathryn A. Mayes, Notary Public
State of Florida