

CITY OF TAVARES

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2018



AMERICA'S SEAPLANE CITY

"THE FUTURE LANDS HERE!"

Land & See at "FA 1"



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COMPREHENSIVE
ANNUAL FINANCIAL REPORT

CITY OF TAVARES, FLORIDA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018

PREPARED BY:
FINANCE DEPARTMENT



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June 26, 2019

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, 2018.

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, has issued an unmodified ("clean") opinion on the City of Tavares's financial statements for the fiscal year ended September 30, 2017. 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 of Tavares, incorporated in 1880, is located in central Lake County. The City currently has a land area of 13.025 square miles and serves a population of approximately 16,317. 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 it 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 90 minute 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. The City is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Tavares 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 Council Member 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 of Tavares 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 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 as well as the Tavares Pavilion on the Lake, a premier venue for any event.

In the prior fiscal year the City commenced construction on The Downtown Stormwater Project located within the downtown entertainment district. The Project included stormwater drainage, relocation of electrical infrastructure to the underground, and the creation of the new downtown Tavares Ecological Park by utilizing a downtown stormwater retention pond. The project provides an extensive educational component for stormwater filtration, a fountain water feature, a crossover bridge, park benches, and lighting. These features and components of the park provide for passive relaxation during the day or evening walks for residents to enjoy the park. In addition, the Project included the repaving of Ruby Street, which provided enhancement to the downtown waterfront district. The Project serves as a premier environmental model for stormwater drainage initiatives. The project was funded with local, state, and federal grants, and a State Revolving Fund loan.

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 the 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 includes retail business, commercial offices, county government, judicial courts, hospitals, medical offices, retirement and assisted living facilities, professional offices, and residential areas with a small amount of light industry and commercial business. As the County seat of Lake County, the City is 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 of Tavares 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 Jones Brothers are licensed to operate and offer air passenger service.

The City's total assessed valuation for real and personal property increased by approximately 8.5% from the prior year. The increase in valuation was primarily due to improvements in the real estate markets as a result of improvements in the economic environment, and new construction. The millage rate was decreased from 7.10 in the prior fiscal year to 7.00 mills in fiscal year 2018 (tax roll 2017). The millage rate decrease was due to an increase in taxable property values.

The unemployment rate for Lake County at September 30, 2018 was reported at 2.9%. This compares to the state unemployment rate of 3.3% and the national rate of 3.7%. There were 98 new business tax receipt applications processed in Fiscal Year 2018 indicating new business growth for the year ended September 30, 2018.

The total number of new construction permits increased slightly in Fiscal Year 2018, indicating a steady local economy for new construction; permits were steady as the City issued 70 permits for new home construction, 253 permits for home alterations and additions, and eight permits for new commercial construction. 1,430 permits were issued for other permitted activity. Although Impact fee waivers for new construction are not offered for new development, 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 above indicate steady growth and a stable economic environment for the City. The City continues to work with builders, developers, manufacturers, and residents for both commercial and residential development.

Long-term financial planning

As spendable fund balance in the general fund is approximately 11.9% of total General Fund expenditures (excluding debt service), the City included replenishment for reserves in the adopted budget for Fiscal Year 2018, and will continue to include a focus toward replenishing reserve levels to the 2008 levels as part of the annual budgeting process. Total Fund balance 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 percent.

The Council will review the City's Five-Year Capital Improvement 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

In the prior fiscal year, the City finalized the Pavilion Project which is an over the lake,

8000 square foot 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 an outstanding scenic view of Lake Dora, and the City's virtual seaplane runway. The facility provides an exceptional enhancement to the Tavares Seaplane Base (FA1) and delivers an 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. In the current fiscal year, the City finalized the grant funded components of the project including a new restroom to service the park, a railroad crossing for the west park entrance, and a continuation of the Tav-Lee Trail. The referendum provided for a separate debt service millage for repayment of the debt for the project.

The Wooton Park Seaplane Base and Marina includes a Train Station Depot with a passenger rail platform. In the prior fiscal year, the City entered into a lease obligation with a train operator. This enhanced the experience for visitors to the Wooton Park Waterfront. The train operator as a franchisee for "The Polar Express"; brought this exciting new experience and nearly 40,000 visitors to the City's downtown waterfront. The "Polar Express" opened December 2017. The Tavares Chamber of Commerce is a key player to business development within the City and shares the train depot location with train excursion operations.

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 Community Redevelopment Area (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 Department has developed an economic development strategic plan which includes a medical village, rail village, county government complex, and commerce park. The plan also includes a robust plan for 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 in fiscal year 2016. 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. This rail project was key to securing the train operations that brought the "The Polar Express" to Tavares.

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 have added a unique experience for these events, bringing thousands of new visitors to Tavares each year.

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 began streetscape improvements for Caroline Street and Alfred Street. The streetscape project was completed in fiscal year 2017. In addition, wayfinding signs were installed on the City's gateways for easy access to America's Seaplane City; additional lighted signage was installed for the City's south entrance gateway during fiscal year 2016. The City completed installation of the northern gateway entrance sign during fiscal year 2017, and the City is poised to install additional signage in Fiscal Year 2019 for visitors to America's Seaplane City by installing branded signage at all City boundary locations on the State and Federal Highways that pass through the City.

In Fiscal Year 2018 the City commenced construction on a state-of-the-art Public Safety complex which will include a fire station, police station, gun range, and emergency operations center. In 2016, the City secured funding for the construction of the facility pledged with voter approved local one cent infrastructure sales tax. Construction for the project is anticipated to be completed in the summer of 2019.

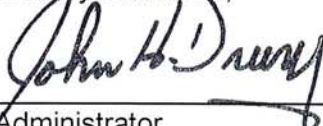
In Fiscal Year 2018 the City contracted with an Engineering Consulting Firm to prepare a feasibility study for a Performing Arts Center in the downtown core. The study is expected to be completed by late spring in fiscal year 2019.

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.

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tavares for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,



City Administrator



Finance Director



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Tavares
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF TAVARES, FLORIDA

LIST OF PRINCIPAL OFFICIALS

Year Ended September 30, 2018

MAYOR

Lori Pfister

CITY COUNCIL

Troy Singer, Vice Mayor

Kirby Smith

Robert Grenier

Amanda Boggus

CITY ADMINISTRATOR

John Drury

CITY CLERK

Susie Novack

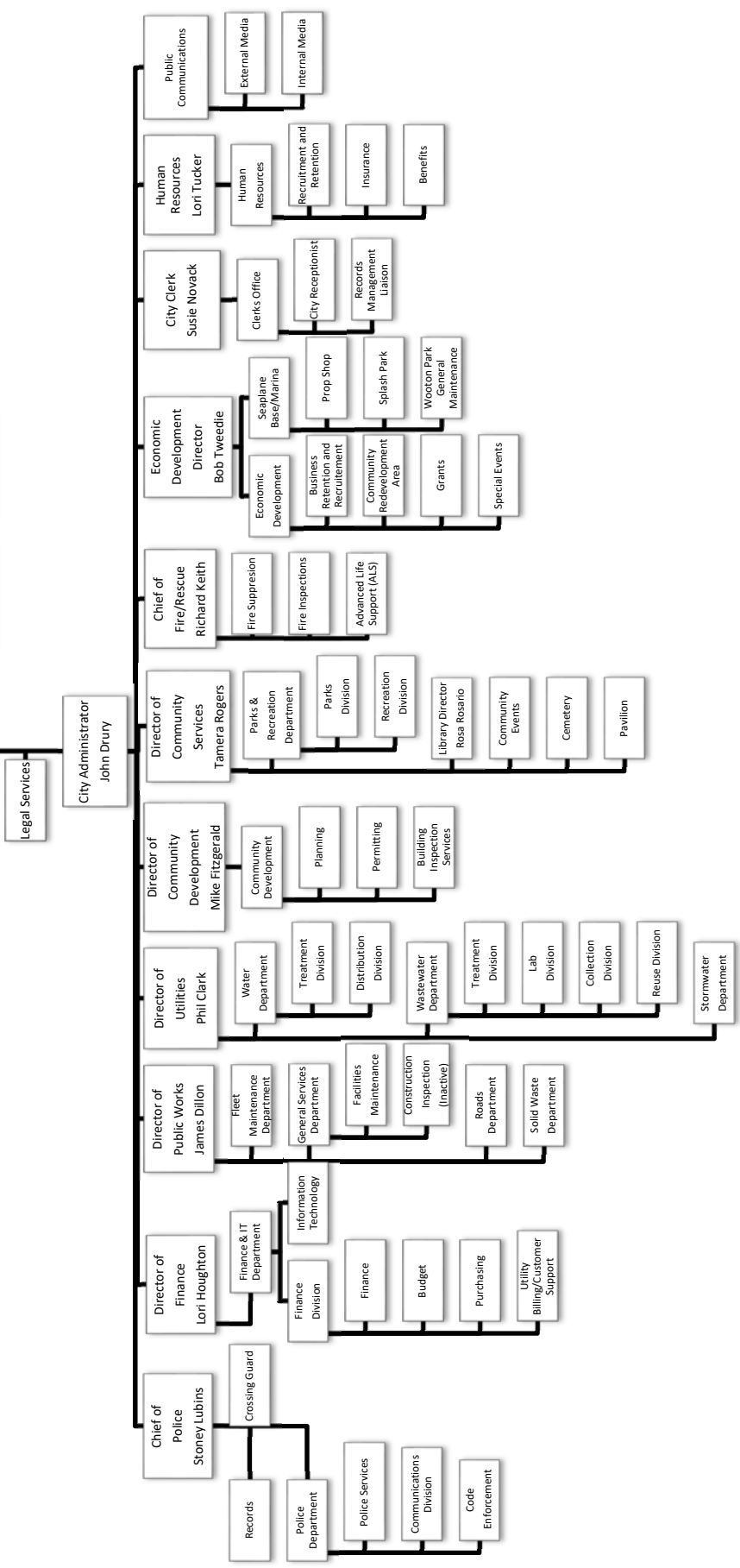
CITY ATTORNEY

Robert Q. Williams

FINANCE DIRECTOR

Lori Houghton

Tavares City Council
 Mayor: Lori Pfister
 Vice Mayor: Troy Singer
 Councilmembers: Amanda Boggus, Robert Grenier, Kirby Smith





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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Tavares, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tavares, Florida (the City), as of and for the year ended September 30, 2018, 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, 2018, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, pavilion fund, greater downtown TIF district fund, and infrastructure surtax fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefits disclosures on pages 3 through 13 and 76 through 84, 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 the audit requirements of Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules of budgetary comparison information and the Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McDiernit Davis & Company, LLC

Orlando, Florida
June 26, 2019

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, 2018. 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 \$67,492,424 (net position). Of this amount, \$12,408,593 (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 \$4,206,916.
- As of the close of the current fiscal year, the City of Tavares governmental funds reported combined ending fund balances of \$11,317,079, an increase of \$56,090 in comparison with the prior year. This increase resulted primarily from less spending than anticipated.
- The General Fund experienced a decrease of \$734,290 in fund balance for the fiscal year and ended the year with a fund balance of \$2,089,188 with \$1,775,046 in unassigned fund balance and available for spending at the City's discretion.
- The Infrastructure Surtax Fund issued \$3,026,000 in notes payable to fund construction of the new Public Safety Complex.

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, physical environment, economic environment, and culture and recreation. The business-type activities of the City of Tavares include water, sewer, solid waste, and stormwater management, and seaplane base operations.

The government-wide financial statements include only the City of Tavares itself (known as the *primary government*) and one blended component unit (The City of Tavares Community Redevelopment Trust Fund).

The government-wide financial statements can be found on pages 14 - 15 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 pavilion fund, the greater downtown TIF fund, and the infrastructure surtax 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 and has operational responsibility for the fund. 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 pavilion fund, the greater downtown TIF special revenue fund, and the infrastructure surtax fund to demonstrate compliance with this budget at pages 19 - 22. Budgetary comparison schedules have been provided for the nonmajor funds at pages 89 - 98.

The basic governmental fund financial statements can be found on pages 16 - 18 of this report.

Proprietary funds

The City of Tavares maintains one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* for the government-wide financial statements. The City of Tavares uses enterprise funds to account for water and sewer, solid waste, stormwater, and the Tavares Seaplane Base.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer and solid waste which are all considered to be major funds. Data for the Stormwater Fund and the Seaplane Base Fund are also included as they are the only nonmajor funds.

The basic proprietary fund financial statements can be found on pages 23 - 26 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Tavares's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27 - 28 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 29 - 75 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 and OPEB benefits to its employees. Required supplementary information can be found starting on page 76.

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 85 - 100.

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 and deferred inflows by \$67,492,424 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 14.

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City of Tavares
Statement of Net Position

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 18,102,561	\$ 17,693,634	\$ 25,418,835	\$ 23,422,550	\$ 43,521,396	\$ 41,116,184
Capital assets	40,940,728	35,468,998	62,393,741	58,554,230	103,334,469	94,023,228
Total assets	59,043,289	53,162,632	87,812,576	81,976,780	146,855,865	135,139,412
Total Deferred Outflows						
of Resources	2,422,399	2,398,483	994,667	1,136,001	3,417,066	3,534,484
Liabilities:						
Long-term liabilities outstanding	32,684,994	30,572,618	42,735,072	38,625,180	75,420,066	69,197,798
Other liabilities	3,561,032	2,528,880	2,024,666	2,053,286	5,585,698	4,582,166
Total liabilities	36,246,026	33,101,498	44,759,738	40,678,466	81,005,764	73,779,964
Total Deferred Inflows						
of Resources	1,485,129	1,211,263	289,614	118,866	1,774,743	1,330,129
Net Position:						
Net investment in capital assets	26,424,663	23,166,805	22,259,502	22,642,480	48,684,165	45,809,285
Restricted	1,780,710	1,853,166	4,618,956	5,050,404	6,399,666	6,903,570
Unrestricted	(4,470,840)	(3,771,617)	16,879,433	14,622,565	12,408,593	10,850,948
Total net position	\$ 23,734,533	\$ 21,248,354	\$ 43,757,891	\$ 42,315,449	\$ 67,492,424	\$ 63,563,803

The largest portion of the City's net position (\$48,684,165) 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.

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An additional portion of the City of Tavares's net position (\$6,399,666) represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position of \$12,408,593 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased \$4,206,916 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 15.

City of Tavares
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,734,789	\$ 3,854,604	\$ 14,196,719	\$ 15,155,293	\$ 17,931,508	\$ 19,009,897
Operating grants and contributions	621,132	621,338	17,199	-	638,331	621,338
Capital grants and contributions	1,212,353	2,542,180	575,074	1,987,157	1,787,427	4,529,337
General revenues:						
Property taxes	5,831,830	5,415,318	-	-	5,831,830	5,415,318
Franchise and utility taxes	3,241,864	3,094,953	-	-	3,241,864	3,094,953
Intergovernmental	3,256,119	2,911,302	-	-	3,256,119	2,911,302
Investment income and miscellaneous	367,133	272,627	502,374	175,688	869,507	448,315
Gain on insurance recovery	-	2,813,829	-	-	-	2,813,829
Total revenues	18,265,220	21,526,151	15,291,366	17,318,138	33,556,586	38,844,289
Expenses:						
General government	3,553,653	3,313,656	-	-	3,553,653	3,313,656
Public safety	6,478,044	6,353,989	-	-	6,478,044	6,353,989
Physical environment	3,001,665	2,529,855	-	-	3,001,665	2,529,855
Economic environment	465,482	363,765	-	-	465,482	363,765
Culture and recreation	3,429,245	3,544,566	-	-	3,429,245	3,544,566
Interest on long-term debt	777,174	677,979	-	-	777,174	677,979
Water and sewer	-	-	8,161,242	7,489,129	8,161,242	7,489,129
Solid waste	-	-	2,072,946	2,001,336	2,072,946	2,001,336
Stormwater	-	-	619,827	539,609	619,827	539,609
Seaplane base	-	-	790,392	898,921	790,392	898,921
Total expenses	17,705,263	16,783,810	11,644,407	10,928,995	29,349,670	27,712,805
Increase (Decrease) in Net Position Before Transfers	559,957	4,742,341	3,646,959	6,389,143	4,206,916	11,131,484
Transfers	2,118,193	2,019,665	(2,118,193)	(2,019,665)	-	-
Increase in Net Position	2,678,150	6,762,006	1,528,766	4,369,478	4,206,916	11,131,484
Net position, beginning	21,248,354	14,486,348	42,315,449	37,945,971	63,563,803	52,432,319
Prior period restatement	(191,971)	-	(86,324)	-	(278,295)	-
Net position, ending	\$ 23,734,533	\$ 21,248,354	\$ 43,757,891	\$ 42,315,449	\$ 67,492,424	\$ 63,563,803

Governmental activities

Governmental activities increased the City of Tavares's net position by \$2,678,150. Key elements of this increase are as follows:

- Capital grants and contributions of \$1,212,353 primarily related to grant funding for the downtown stormwater project.
- Expenses increased across the various functional activities by \$822,258 (5%) primarily due to expense related to the Florida Retirement System net pension liability (\$403,491).

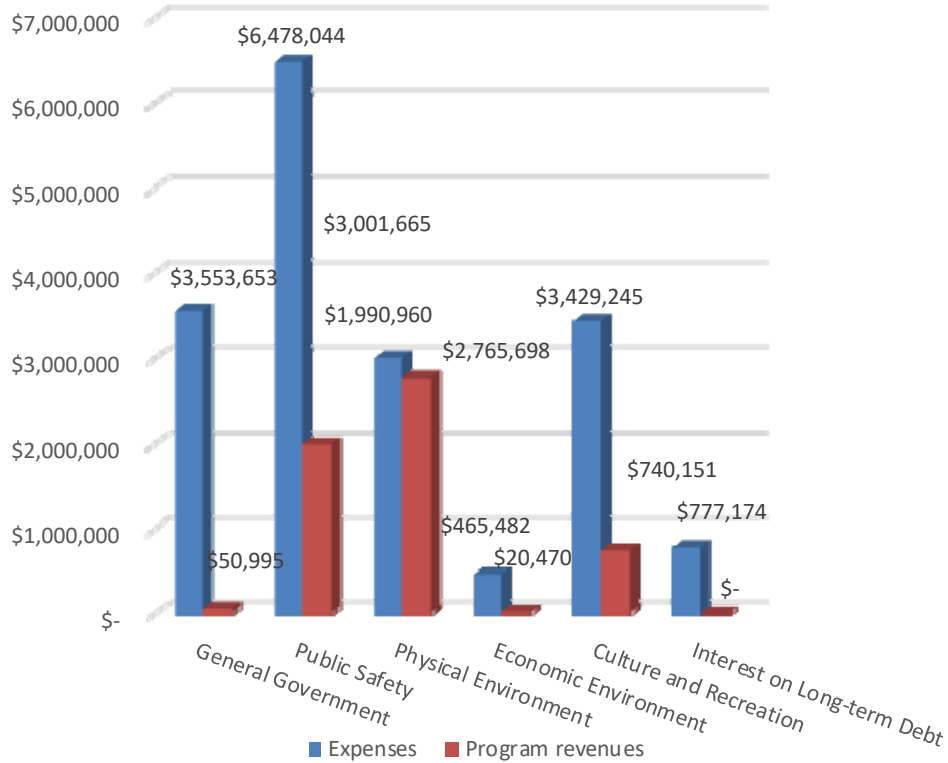
Business-type activities

Overall, net position increased by \$1,528,766 (4%) from business-type activities during the current year. Unrestricted net position of the business-type activities at the end of the year amounted to \$16,879,433. The City continued the downtown stormwater project, which was funded in part by grants (accounted for in the grant fund). The City's match portion of the grant (\$4,142,203) will be funded by draws on an SRF loan. Key highlights for business activities during the current year were as follows:

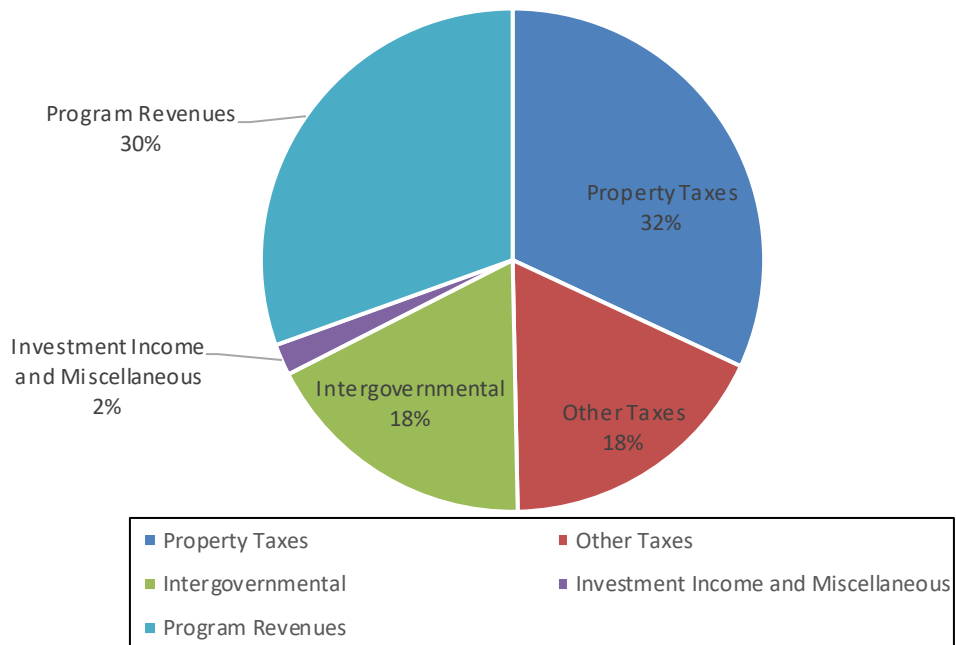
- Total revenues for all business-type activities decreased by \$2,026,772 (23%), primarily in charges for services and impact fees received in the water and sewer fund.
- Operating expenses for all business-type activities increased over the prior fiscal year by \$715,412 (7%).

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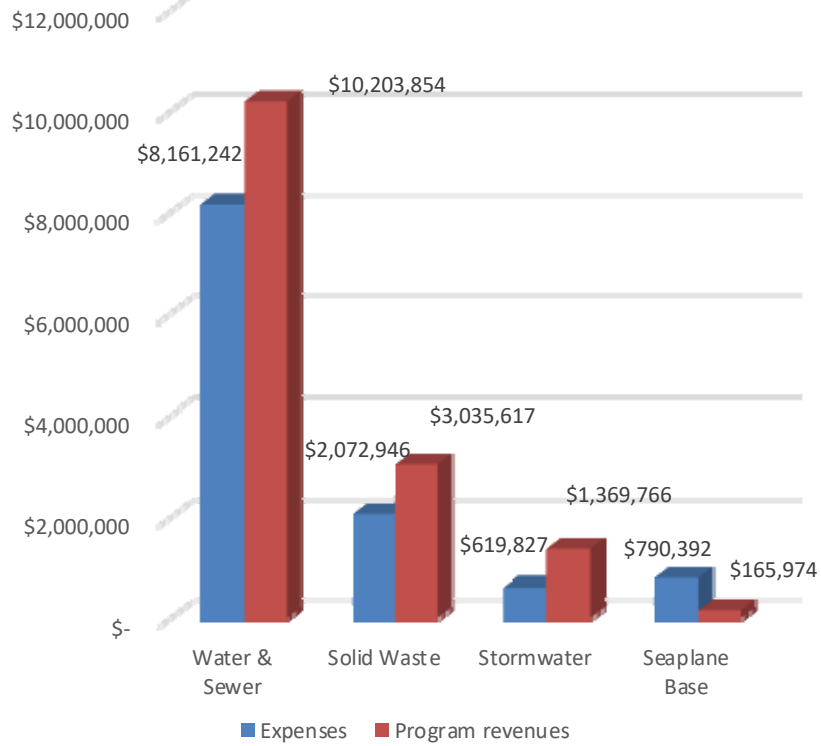
Expenses and Program Revenues - Governmental Activities



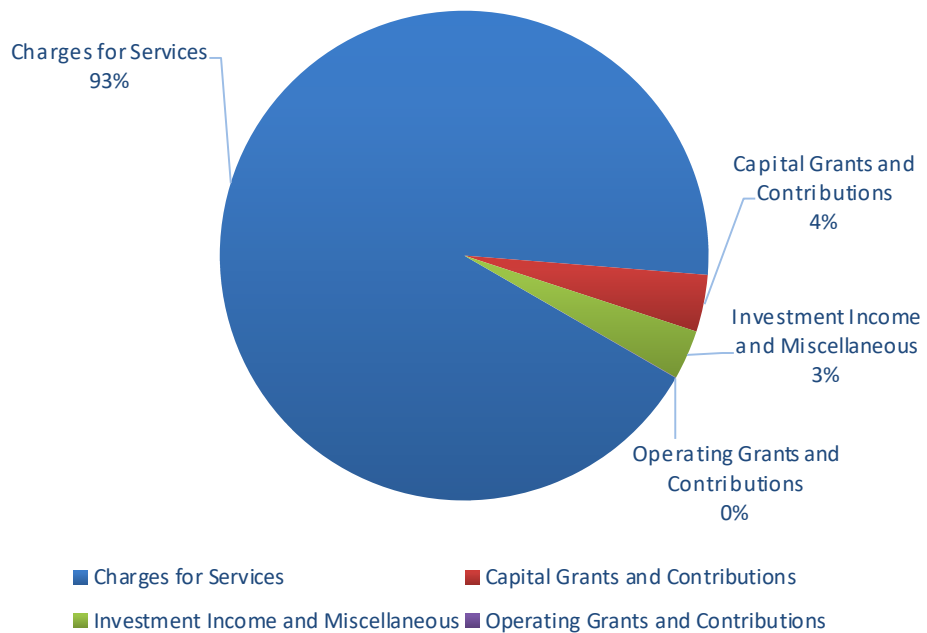
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business - Type Activities



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, unassigned 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 \$11,317,079, an increase of \$56,090 in comparison with the prior year. Unassigned fund balance is negative, at \$1,259,563. 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 (\$356,858), 2) to fund public safety expansion projects (\$1,119,549), 3) to fund various capital projects (\$10,481,790), and 4) to fund culture and recreation expansion projects (\$275,008). In addition, fund balance includes nonspendable amounts (\$314,142), and non-expendable trusts (\$29,295). The majority of the nonspendable balance, \$303,997, 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 \$1,775,046 while total fund balance was \$2,089,188. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12% of total general fund expenditures, while total fund balance represents 14% of that same amount.

The fund balance of the general fund increased by \$734,290 during the current fiscal year. Key factors attributing to the increase are as follows:

- Increase in tax revenues of \$545,232.

The pavilion fund has a total fund balance deficit of \$2,243,956 due to long term advance from the Water & Sewer Fund. The fund deficit of the Greater Downtown TIF District was \$317,239, which is a decrease of \$24,742.

The fund balance in the infrastructure surtax fund decreased by \$1,274,658. This decrease is due to ongoing construction of the Public Safety Complex.

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 \$16,879,433. Total net position for proprietary funds increased by \$1,528,766 (4%). Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Tavares's business-type activities.

General Fund Budgetary Highlights

Increases from original budget appropriations and final amended budget appropriations were \$778,672 while original estimated revenues increased by \$135,160. The increase in budgeted expenditures was primarily in the public safety function. During the year, actual revenues were less than budgetary estimates by \$228,732, and expenditures were less than budgetary estimates by \$1,218,553. The reasons for the increase in appropriations can be briefly summarized as follows:

- \$330,638 in increased costs related to salaries and benefits.
- \$174,081 in additional equipment purchases for the Police Department.

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, 2018 amounts to \$103,334,469 (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 10% in the City's investment in capital assets was experienced for the current fiscal year due to several ongoing major capital projects. Major capital asset events during the current fiscal year included the following:

- Capital improvements to business-type activities included: construction of downtown stormwater mitigation improvements, which remains in progress at year end.
- Construction of the Public Safety complex which is expected to finish in 2019.

City of Tavares
 Capital Assets
 (Net of Depreciation)

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,594,092	\$ 6,477,809	\$ 533,263	\$ 491,760	\$ 7,127,355	\$ 6,969,569
Intangible assets	87,232	17,329	22,908	15,263	110,140	32,592
Buildings & improvements	9,312,444	9,400,043	50,614,812	35,616,634	59,927,256	45,016,677
Improvements/infrastructure	13,457,947	12,451,513	-	-	13,457,947	12,451,513
Machinery and equipment	1,014,023	1,241,227	2,635,026	2,255,838	3,649,049	3,497,065
Construction in progress	10,474,990	5,881,077	8,587,732	20,174,735	19,062,722	26,055,812
Total	\$ 40,940,728	\$ 35,468,998	\$ 62,393,741	\$ 58,554,230	\$ 103,334,469	\$ 94,023,228

Additional information on the City of Tavares's capital assets can be found in Note 7 on pages 43 - 44 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Tavares had total debt outstanding of \$65,227,201. This debt includes bonds payable, notes payable and capital leases payable. Additional information on long-term debt can be found in Note 8 on pages 45-51 of this report.

City of Tavares
 Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds payable	\$ -	\$ -	\$ 5,255,000	\$ 5,620,000	\$ 5,255,000	\$ 5,620,000
Notes payable	25,092,962	23,343,890	34,812,740	30,124,770	59,905,702	53,468,660
Capital lease obligations	-	-	66,499	166,980	66,499	166,980
	<u>\$ 25,092,962</u>	<u>\$ 23,343,890</u>	<u>\$ 40,134,239</u>	<u>\$ 35,911,750</u>	<u>\$ 65,227,201</u>	<u>\$ 59,255,640</u>

The City of Tavares's total debt increased by \$5,971,561 (10%) during the current fiscal year, primarily because of the following:

- Issuance of the Capital Improvement Revenue Refunding Note, Series 2017, in the amount of \$5,484,000
- Draws of \$5,858,850 on State Revolving Fund Loans.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for Lake County at September 30, 2018 was reported at 2.9%, a decrease of .5% over the prior year. This compares to the state unemployment rate of 3.7%.
- During the reporting period new construction permits for residential and commercial construction increased by 15% over fiscal year 2017. The increase experienced in fiscal year 2018 included permits for commercial activity including medical offices, restaurants, industrial facilities and a full-service car carwash facility. This expansion in commercial permitting contributes to additional job growth in the local economy. The City expects this trend to continue in the next fiscal year.
- As reported in the prior fiscal year the City implemented a partial impact fee waiver program which provides a 24-month deferral of up to 50% of City impact fees. A letter of credit is required. This initiative was key to bringing a new multi-family development to Tavares that provides housing to the growing local economy. The first phase of the development opened during fiscal year 2017, and second phase is currently in the permitting phase and is scheduled to be completed in fiscal year 2019.

Requests for Information

This financial report is designed to provide a general overview of the City of Tavares's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Director, City of Tavares, P.O. Box 1068, Tavares, Florida, 32778.



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BASIC FINANCIAL STATEMENTS



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City of Tavares, Florida
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 5,895,512	\$ 9,411,298	\$ 15,306,810
Investments	220,982	3,699,322	3,920,304
Receivables, net	3,775,279	2,338,258	6,113,537
Inventories	7,645	169,701	177,346
Internal balances	(4,484,196)	4,484,196	-
Due from other governments	1,216,021	-	1,216,021
Prepaid costs	2,500	-	2,500
Restricted assets:			
Cash and cash equivalents	11,442,418	3,283,952	14,726,370
Investments	26,400	2,013,705	2,040,105
Special assessments receivable	-	18,403	18,403
Capital assets not being depreciated	17,069,082	9,120,995	26,190,077
Capital assets being depreciated, net of accumulated depreciation	23,871,646	53,272,746	77,144,392
Total assets	59,043,289	87,812,576	146,855,865
Deferred Outflows of Resources:			
Deferred charge on refunding	-	30,220	30,220
Deferred outflows of OPEB earnings	71,011	27,270	98,281
Deferred outflows of pension earnings	2,351,388	937,177	3,288,565
Total deferred outflows of resources	2,422,399	994,667	3,417,066
Liabilities:			
Accounts payable and other current liabilities	2,680,944	1,036,199	3,717,143
Matured bonds and interest payable	575,539	-	575,539
Accrued interest payable	76,134	315,860	391,994
Unearned revenues	206,339	-	206,339
Customer deposits payable	22,076	672,607	694,683
Noncurrent liabilities:			
Due within one year	2,070,578	1,772,477	3,843,055
Due in more than one year	30,614,416	40,962,595	71,577,011
Total liabilities	36,246,026	44,759,738	81,005,764
Deferred Inflows of Resources:			
Deferred inflows of OPEB earnings	11,405	4,380	15,785
Deferred inflows of pension earnings	1,473,724	285,234	1,758,958
Total deferred inflows of resources	1,485,129	289,614	1,774,743
Net Position:			
Net investment in capital assets	26,424,663	22,259,502	48,684,165
Restricted for:			
Capital projects	-	4,618,956	4,618,956
Culture and recreation	275,008	-	275,008
Public safety	1,119,549	-	1,119,549
Debt Service	356,858	-	356,858
Perpetual care-nonexpendable	29,295	-	29,295
Unrestricted	(4,470,840)	16,879,433	12,408,593
Total Net Position	\$ 23,734,533	\$ 43,757,891	\$ 67,492,424

City of Tavares, Florida
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs:	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		Total
			Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Governmental Activities:							
General government	\$ 3,553,653	\$ 50,995	\$ -	\$ -	\$ (3,502,658)	\$ -	\$ (3,502,658)
Public safety	6,478,044	1,745,267	94,856	150,837	(4,487,084)	-	(4,487,084)
Physical environment	3,001,665	1,383,492	415,213	966,993	(235,967)	-	(235,967)
Economic environment	465,482	20,375	95	-	(445,012)	-	(445,012)
Culture and recreation	3,429,245	534,660	110,968	94,523	(2,689,094)	-	(2,689,094)
Interest on long-term debt	777,174	-	-	-	(777,174)	-	(777,174)
Total governmental activities	17,705,263	3,734,789	621,132	1,212,353	(12,136,989)	-	(12,136,989)
Business-type activities:							
Water and sewer	8,161,242	9,625,362	3,418	575,074	-	2,042,612	2,042,612
Solid Waste	2,072,946	3,035,617	13,086	-	-	975,757	975,757
Stormwater	619,827	1,369,766	570	-	-	750,509	750,509
Seaplane Base	790,392	165,974	125	-	-	(624,293)	(624,293)
Total business-type activities	11,644,407	14,196,719	17,199	575,074	-	3,144,585	3,144,585
Total primary government	\$ 29,349,670	\$ 17,931,508	\$ 638,331	\$ 1,787,427	(12,136,989)	3,144,585	(8,992,404)
General Revenues:							
Taxes:							
Property taxes					5,831,830	-	5,831,830
Franchise fees and utility taxes					3,241,864	-	3,241,864
Intergovernmental-unrestricted					3,256,119	-	3,256,119
Investment income and miscellaneous					367,133	502,374	869,507
Transfers					2,118,193	(2,118,193)	-
Total general revenues and transfers					14,815,139	(1,615,819)	13,199,320
Change in net position					2,678,150	1,528,766	4,206,916
Net position, beginning					21,248,354	42,315,449	63,563,803
Prior period restatement					(191,971)	(86,324)	(278,295)
Net position, ending					\$ 23,734,533	\$ 43,757,891	\$ 67,492,424

Balance Sheet

Governmental Funds

September 30, 2018

	General	Pavilion Fund	Greater Downtown TIF District	Infrastructure Surtax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,237,249	\$ 232,666	\$ 108,053	\$ -	\$ 3,317,544	\$ 5,895,512
Investments	48,324	-	6,362	139,338	53,358	247,382
Receivables, net	267,095	6,558	16,859	-	184,183	474,695
Inventories, at cost	7,645	-	-	-	-	7,645
Due from other funds	428,240	-	21,944	-	-	450,184
Due from other governments	97,362	-	-	155,125	963,534	1,216,021
Prepaid items	2,500	-	-	-	-	2,500
Advances to other funds	303,997	-	-	-	-	303,997
Restricted assets:						
Cash and cash equivalents	-	-	-	11,442,418	-	11,442,418
Total assets	\$ 3,392,412	\$ 239,224	\$ 153,218	\$ 11,736,881	\$ 4,518,619	\$ 20,040,354
Liabilities and Fund Balances:						
Accounts payable	\$ 337,652	\$ 7,120	\$ 19,249	\$ 509,085	\$ 643,023	\$ 1,516,129
Accrued liabilities	816,419	10,178	1,208	-	-	827,805
Retainage payable	-	-	-	298,744	38,266	337,010
Due to other funds	21,944	2,389,269	450,000	-	2,377,164	5,238,377
Customer deposits	-	22,076	-	-	-	22,076
Unearned revenue	127,209	54,537	-	-	24,593	206,339
Matured bonds payable	-	-	-	290,000	100,850	390,850
Matured interest payable	-	-	-	165,957	18,732	184,689
Total liabilities	1,303,224	2,483,180	470,457	1,263,786	3,202,628	8,723,275
Fund Balances:						
Nonspendable	314,142	-	-	-	29,295	343,437
Restricted	-	-	-	10,473,095	1,760,110	12,233,205
Unassigned	1,775,046	(2,243,956)	(317,239)	-	(473,414)	(1,259,563)
Total fund balances	2,089,188	(2,243,956)	(317,239)	10,473,095	1,315,991	11,317,079
Total liabilities and fund balances	\$ 3,392,412	\$ 239,224	\$ 153,218	\$ 11,736,881	\$ 4,518,619	

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	40,940,728
Deferred inflows and outflows of resources related to pension and OPEB earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting	937,270
Other long term receivables are not available to pay for current period expenditures and therefore are not reported in the funds.	3,300,584
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(76,134)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(32,684,994)
Net position of governmental activities	\$ 23,734,533

Statement of Revenues, Expenditures and Changes in Fund Balances**Governmental Funds**

For the Year Ended September 30, 2018

	General	Pavilion Fund	Greater Downtown TIF District	Infrastructure Surtax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 8,586,606	\$ -	\$ 249,236	\$ -	\$ 237,852	\$ 9,073,694
Licenses and permits	1,426,190	-	-	-	-	1,426,190
Intergovernmental revenues	2,265,281	-	95	1,611,875	1,060,941	4,938,192
Special assessments	-	-	-	-	1,708,453	1,708,453
Charges for services	125,172	413,197	20,375	-	151,412	710,156
Fines and forfeitures	24,165	-	-	-	17,237	41,402
Investment income	1,555	-	119	51,198	1,003	53,875
Miscellaneous	243,926	69,092	240	-	661,604	974,862
Total revenues	12,672,895	482,289	270,065	1,663,073	3,838,502	18,926,824
Expenditures:						
Current:						
General government	3,370,493	-	-	28,157	-	3,398,650
Public safety	6,249,556	-	-	4,769,726	46,513	11,065,795
Physical environment	2,691,648	-	-	418,503	963,536	4,073,687
Economic environment	238,914	-	176,307	-	6,000	421,221
Culture and recreation	2,260,142	445,820	-	32,964	280,257	3,019,183
Debt Service:						
Principal	-	2,548,000	-	290,000	896,928	3,734,928
Interest and fiscal charges	5,500	94,099	-	424,381	235,483	759,463
Total Expenditures	14,816,253	3,087,919	176,307	5,963,731	2,428,717	26,472,927
Excess (Deficiency) of Revenues Over Expenditures	(2,143,358)	(2,605,630)	93,758	(4,300,658)	1,409,785	(7,546,103)
Other Financing Sources (Uses):						
Issuance of notes payable	-	2,458,000	-	3,026,000	-	5,484,000
Transfers in	4,153,834	165,144	-	-	806,493	5,125,471
Transfers out	(1,276,186)	-	(118,500)	-	(1,612,592)	(3,007,278)
Total other financing sources (uses)	2,877,648	2,623,144	(118,500)	3,026,000	(806,099)	7,602,193
Net change in fund balances	734,290	17,514	(24,742)	(1,274,658)	603,686	56,090
Fund balances, beginning	1,354,898	(2,261,470)	(292,497)	11,747,753	712,305	11,260,989
Fund balances, ending	\$ 2,089,188	\$ (2,243,956)	\$ (317,239)	\$ 10,473,095	\$ 1,315,991	\$ 11,317,079

**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, 2018

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

Net Change in Fund Balances - total governmental funds: \$ 56,090

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. 5,504,320

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. (32,590)

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. (327,653)

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. (1,749,072)

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. (111,341)

Revenues recognized in a prior period in the statement of activities that did not provide current financial resources were not recognized in the funds until such resources were provided. (661,604)

Change in net position of governmental activities \$ 2,678,150

General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 8,810,710	\$ 8,810,710	\$ 8,586,606	\$ (224,104)
Licenses and permits	1,447,382	1,447,382	1,426,190	(21,192)
Intergovernmental revenues	2,204,388	2,204,413	2,265,281	60,868
Charges for services	138,538	148,458	125,172	(23,286)
Fines and forfeitures	29,462	29,462	24,165	(5,297)
Investment income	2,936	2,936	1,555	(1,381)
Miscellaneous	133,051	258,266	243,926	(14,340)
Total revenues	<u>12,766,467</u>	<u>12,901,627</u>	<u>12,672,895</u>	<u>(228,732)</u>
Expenditures:				
Current:				
General government	3,470,057	3,548,998	3,370,493	178,505
Public safety	6,611,548	7,120,635	6,249,556	871,079
Physical environment	2,669,873	2,762,222	2,691,648	70,574
Economic environment	236,680	245,850	238,914	6,936
Culture and recreation	2,237,976	2,327,101	2,260,142	66,959
Debt Service:				
Interest and other charges	30,000	30,000	5,500	24,500
Total expenditures	<u>15,256,134</u>	<u>16,034,806</u>	<u>14,816,253</u>	<u>1,218,553</u>
Excess (deficiency) of revenues over expenditures	<u>(2,489,667)</u>	<u>(3,133,179)</u>	<u>(2,143,358)</u>	<u>989,821</u>
Other financing sources (uses)				
Capital leases	650,000	829,350	-	(829,350)
Transfers in	4,243,353	4,243,353	4,153,834	(89,519)
Transfers out	(1,356,286)	(1,333,867)	(1,276,186)	57,681
Total other financing sources and uses	<u>3,537,067</u>	<u>3,738,836</u>	<u>2,877,648</u>	<u>(861,188)</u>
Net change in fund balances	1,047,400	605,657	734,290	128,633
Fund balances, beginning	1,354,898	1,354,898	1,354,898	-
Fund balances, ending	<u>\$ 2,402,298</u>	<u>\$ 1,960,555</u>	<u>\$ 2,089,188</u>	<u>\$ 128,633</u>

Pavilion Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 488,083	\$ 411,022	\$ 413,197	\$ 2,175
Miscellaneous	23,900	63,092	69,092	6,000
Total revenues	511,983	474,114	482,289	8,175
Expenditures:				
Current:				
Culture and recreation	491,200	451,247	445,820	5,427
Debt Service:				
Principal	122,000	2,548,000	2,548,000	-
Interest and other charges	62,973	94,099	94,099	-
Total Expenditures	676,173	3,093,346	3,087,919	5,427
Excess (deficiency) of revenues over expenditures	(164,190)	(2,619,232)	(2,605,630)	13,602
Other Financing Sources (Uses)				
Issuance of notes payable	-	2,458,000	2,458,000	-
Transfers in	164,393	165,144	165,144	-
Total other financing sources (uses)	164,393	2,623,144	2,623,144	-
Net change in fund balances	203	3,912	17,514	13,602
Fund balances, beginning	(2,261,470)	(2,261,470)	(2,261,470)	-
Fund balances, ending	\$ (2,261,267)	\$ (2,257,558)	\$ (2,243,956)	\$ 13,602

**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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 221,371	\$ 221,371	\$ 249,236	\$ 27,865
Intergovernmental revenues	5,400	5,400	95	(5,305)
Charges for services	25,000	25,000	20,375	(4,625)
Investment income	24	24	119	95
Miscellaneous	-	240	240	-
Total revenues	<u>251,795</u>	<u>252,035</u>	<u>270,065</u>	<u>18,030</u>
Expenditures:				
Current:				
Economic environment	187,252	183,167	176,307	6,860
Culture and recreation	-	17,500	-	17,500
Total Expenditures	<u>187,252</u>	<u>200,667</u>	<u>176,307</u>	<u>24,360</u>
Excess (deficiency) of revenues Over expenditures	<u>64,543</u>	<u>51,368</u>	<u>93,758</u>	<u>42,390</u>
Other Financing Sources (Uses)				
Transfers out	(118,500)	(118,500)	(118,500)	-
Total other financing sources and uses	<u>(118,500)</u>	<u>(118,500)</u>	<u>(118,500)</u>	<u>-</u>
Net change in fund balances	(53,957)	(67,132)	(24,742)	42,390
Fund balances, beginning	(292,497)	(292,497)	(292,497)	-
Fund balances, ending	<u>\$ (346,454)</u>	<u>\$ (359,629)</u>	<u>\$ (317,239)</u>	<u>\$ 42,390</u>

Infrastructure Surtax Special Revenue Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 1,319,239	\$ 1,486,252	\$ 1,611,875	\$ 125,623
Investment income	316	316	51,198	50,882
Total revenues	<u>1,319,555</u>	<u>1,486,568</u>	<u>1,663,073</u>	<u>176,505</u>
Expenditures:				
Current:				
General government	29,584	29,584	28,157	1,427
Public Safety	-	14,239,368	4,769,726	9,469,642
Physical environment	435,000	471,132	418,503	52,629
Culture and recreation	33,000	33,000	32,964	36
Debt Service:				
Principal	290,000	290,000	290,000	-
Interest and other charges	497,814	523,814	424,381	99,433
Total Expenditures	<u>1,285,398</u>	<u>15,586,898</u>	<u>5,963,731</u>	<u>9,623,167</u>
Excess (deficiency) of revenues over expenditures	<u>34,157</u>	<u>(14,100,330)</u>	<u>(4,300,658)</u>	<u>9,799,672</u>
Other Financing Sources (Uses)				
Notes payable issued	-	3,026,000	3,026,000	-
Total other financing sources and uses	<u>-</u>	<u>3,026,000</u>	<u>3,026,000</u>	<u>-</u>
Net change in fund balances	34,157	(11,074,330)	(1,274,658)	9,799,672
Fund balances, beginning	<u>11,747,753</u>	<u>11,747,753</u>	<u>11,747,753</u>	<u>-</u>
Fund balances, ending	<u>\$ 11,781,910</u>	<u>\$ 673,423</u>	<u>\$ 10,473,095</u>	<u>\$ 9,799,672</u>

City of Tavares, Florida
Statement of Net Position
Proprietary Funds
September 30, 2018

	Business-Type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste	Stormwater	Seaplane Base	Total
Assets:					
Current assets:					
Cash and cash equivalents	\$ 7,292,142	\$ 1,446,348	\$ 671,954	\$ 854	\$ 9,411,298
Investments	3,689,313	702	9,307	-	3,699,322
Receivables, net	1,848,615	341,183	146,471	1,989	2,338,258
Inventories, at cost	133,989	-	-	35,712	169,701
Total current assets	12,964,059	1,788,233	827,732	38,555	15,618,579
Noncurrent assets:					
Restricted cash and cash equivalents	3,283,952	-	-	-	3,283,952
Restricted investments	2,013,705	-	-	-	2,013,705
Due from other funds	4,490,896	-	-	-	4,490,896
Special assessments receivable - long-term	18,403	-	-	-	18,403
Capital assets:					
Land, buildings and equipment	86,952,141	2,469,482	3,268,201	135,060	92,824,884
Construction in progress	8,334,634	-	223,299	29,799	8,587,732
Less: accumulated depreciation	(36,285,280)	(1,500,072)	(1,174,199)	(59,324)	(39,018,875)
Total capital assets (net of accumulated depreciation)	59,001,495	969,410	2,317,301	105,535	62,393,741
Total non-current assets	68,808,451	969,410	2,317,301	105,535	72,200,697
Total assets	81,772,510	2,757,643	3,145,033	144,090	87,819,276
Deferred Outflows of Resources:					
Deferred charge on refunding	30,220	-	-	-	30,220
Deferred outflows of pension and OPEB earnings	633,579	164,877	83,109	82,882	964,447
	663,799	164,877	83,109	82,882	994,667
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	663,126	43,071	305,037	24,965	1,036,199
Customer deposits payable	672,607	-	-	-	672,607
Due to other funds	-	-	-	6,700	6,700
Compensated absences - current	43,505	6,781	7,279	2,671	60,236
Notes payable - current	1,224,391	41,351	-	-	1,265,742
Revenue bonds payable - current	380,000	-	-	-	380,000
Capital lease obligation - current	-	17,940	48,559	-	66,499
Accrued interest payable	315,586	203	71	-	315,860
Total current liabilities	3,299,215	109,346	360,946	34,336	3,803,843
Noncurrent liabilities:					
Compensated absences	130,515	20,344	21,838	8,011	180,708
Notes payable	33,546,998	-	-	-	33,546,998
Revenue bonds payable	4,875,000	-	-	-	4,875,000
Net OPEB liability	82,318	23,777	13,982	13,838	133,915
Net pension liability	1,465,055	380,114	190,638	190,167	2,225,974
Total noncurrent liabilities	40,099,886	424,235	226,458	212,016	40,962,595
Total liabilities	43,399,101	533,581	587,404	246,352	44,766,438
Deferred Inflows of Resources:					
Deferred inflows of pension and OPEB earnings	190,423	49,486	24,885	24,820	289,614
Net Position:					
Net investment in capital assets	18,975,106	910,119	2,268,742	105,535	22,259,502
Restricted for capital projects	4,618,956	-	-	-	4,618,956
Unrestricted	15,252,723	1,429,334	347,111	(149,735)	16,879,433
Total net position	\$ 38,846,785	\$ 2,339,453	\$ 2,615,853	\$ (44,200)	\$ 43,757,891

Statement of Revenues, Expenses and Changes in Net Position**Proprietary Funds**

For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste	Stormwater	Seaplane Base	Total
Operating Revenues:					
User charges	\$ 9,625,362	\$ 3,035,617	\$ 1,369,766	\$ 165,974	\$ 14,196,719
Other revenue	165,389	-	-	200,000	365,389
Total operating revenues	9,790,751	3,035,617	1,369,766	365,974	14,562,108
Operating Expenses:					
Personal services	2,112,372	554,131	298,578	337,864	3,302,945
Utilities	573,997	1,040,311	-	45,776	1,660,084
Materials and supplies	680,656	176,264	30,453	280,598	1,167,971
Repairs and maintenance	326,717	36,676	20,619	17,867	401,879
Depreciation and amortization	2,845,715	192,248	153,455	12,961	3,204,379
Professional services	483,588	11,521	92,085	50,069	637,263
Other expenses	515,362	60,174	23,062	45,257	643,855
Total operating expenses	7,538,407	2,071,325	618,252	790,392	11,018,376
Operating income (loss)	2,252,344	964,292	751,514	(424,418)	3,543,732
Nonoperating Revenue (Expenses):					
Intergovernmental revenue	3,418	13,086	570	125	17,199
Investment income	136,793	16	176	-	136,985
Interest expense	(619,042)	(1,621)	(1,575)	-	(622,238)
Loss on disposal of capital assets	(3,793)	-	-	-	(3,793)
Total nonoperating revenue (expenses)	(482,624)	11,481	(829)	125	(471,847)
Income (loss) before contributions and transfers	1,769,720	975,773	750,685	(424,293)	3,071,885
Impact fees	575,074	-	-	-	575,074
Transfers in	213,664	-	-	423,049	636,713
Transfers out	(1,469,819)	(811,380)	(473,707)	-	(2,754,906)
Change in net position	1,088,639	164,393	276,978	(1,244)	1,528,766
Total net position, beginning	37,810,189	2,190,410	2,348,616	(33,766)	42,315,449
Prior period adjustment	(52,043)	(15,350)	(9,741)	(9,190)	(86,324)
Total net position, ending	\$ 38,846,785	\$ 2,339,453	\$ 2,615,853	\$ (44,200)	\$ 43,757,891

City of Tavares, Florida
Statement of Cash Flows
Proprietary Funds
For The Year Ended September 30, 2018

	Enterprise Funds				Total
	Water and Sewer	Sanitation	Stormwater	Seaplane Base	
Cash Flows from Operating Activities:					
Receipts from customers	\$ 9,997,106	\$ 3,028,454	\$ 1,350,785	\$ 364,410	\$ 14,740,755
Payments to suppliers	(2,776,627)	(1,327,290)	(162,788)	(479,772)	(4,746,477)
Payments to employees	(2,093,868)	(516,087)	(277,286)	(323,344)	(3,210,585)
Net cash provided (used) by operating activities	5,126,611	1,185,077	910,711	(438,706)	6,783,693
Cash Flows from Non-Capital Financing Activities:					
Transfers in	213,664	-	-	423,049	636,713
Transfers out	(1,469,819)	(811,380)	(473,707)	-	(2,754,906)
(Increase) decrease in due from other funds	1,200,000	-	-	6,700	1,206,700
Net cash provided (used) by non-capital financing activities	(56,155)	(811,380)	(473,707)	429,749	(911,493)
Cash Flows from Capital and Related Financing Activities:					
Grant revenues	3,418	13,086	570	125	17,199
Proceeds of notes and leases	5,858,850	-	-	-	5,858,850
Acquisition of capital assets	(5,763,814)	(322,430)	(340,886)	(29,494)	(6,456,624)
Principal paid on revenue bonds, notes and leases	(1,481,964)	(91,667)	(62,730)	-	(1,636,361)
Interest paid on revenue bonds, notes and leases	(942,597)	(1,938)	(1,708)	-	(946,243)
Impact fees received	575,074	-	-	-	575,074
Net cash provided (used) by capital and related financing activities	(1,751,033)	(402,949)	(404,754)	(29,369)	(2,588,105)
Cash Flows from Investing Activities:					
Purchase of investments	(2,097,771)	-	-	-	(2,097,771)
Investment income	136,793	3	1	-	136,797
Net cash provided (used) by investing activities	(1,960,978)	3	1	-	(1,960,974)
Net increase (decrease) in cash and cash equivalents	1,358,445	(29,249)	32,251	(38,326)	1,323,121
Cash and cash equivalents, beginning	9,217,649	1,475,597	639,703	39,180	11,372,129
Cash and cash equivalents, end	\$ 10,576,094	\$ 1,446,348	\$ 671,954	\$ 854	\$ 12,695,250
Classified As:					
Cash and cash equivalents	\$ 7,292,142	\$ 1,446,348	\$ 671,954	\$ 854	\$ 9,411,298
Restricted cash and cash equivalents	3,283,952	-	-	-	3,283,952
Total	\$ 10,576,094	\$ 1,446,348	\$ 671,954	\$ 854	\$ 12,695,250

	Enterprise Funds				Total
	Water and Wastewater Fund	Solid Waste Fund	Stormwater Fund	Seaplane Base	
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 2,252,344	\$ 964,292	\$ 751,514	\$ (424,418)	\$ 3,543,732
Adjustments Not Affecting Cash:					
Depreciation and amortization	2,845,715	192,248	153,455	12,961	3,204,379
Change in Assets and Liabilities:					
(Increase) Decrease in accounts receivable	182,031	(7,163)	(18,981)	(1,564)	154,323
(Increase) Decrease in inventories	64,519	-	-	(749)	63,770
(Increase) Decrease in deferred outflows of pension and OPEB earnings	115,914	10,004	7,422	5,246	138,586
Increase (decrease) in accounts payable	(260,826)	(2,344)	3,431	(39,456)	(299,195)
Increase (decrease) in accrued liabilities	(14,748)	(5,185)	121	1,759	(18,053)
Increase (decrease) in customer deposits	24,324	-	-	-	24,324
Increase (decrease) in compensated absences	(20,908)	2,643	4,256	(5,071)	(19,080)
Increase (decrease) in net pension liability	(183,434)	(4,531)	(8,482)	(3,668)	(200,115)
Increase (decrease) in deferred inflows of pension and OPEB earnings	106,330	29,727	14,602	14,712	165,371
Increase in OPEB obligation	15,350	5,386	3,373	1,542	25,651
Total adjustments	28,552	28,537	5,742	(27,249)	35,582
Net cash provided (used) by operating activities	\$ 5,126,611	\$ 1,185,077	\$ 910,711	\$ (438,706)	\$ 6,783,693

City of Tavares, Florida
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2018

	Total Pension Funds
Assets:	
Cash and cash equivalents	\$ 181,145
Receivables:	
Employer and employee contributions	39,660
State contribution	189,551
Total receivables	<u>229,211</u>
Investments, at fair value:	
Mutual funds - fixed income	7,685,364
Mutual funds - equity	11,429,270
Common and collective funds - equity	1,040,457
Total Investments	<u>20,155,091</u>
Total assets	<u>20,565,447</u>
Liabilities:	
Accounts payable	<u>3,975</u>
Total liabilities	3,975
Net Position:	
Net position restricted for pensions	<u><u>\$ 20,561,472</u></u>

City of Tavares, Florida

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

For the Year Ended September 30, 2018

	<u>Total Pension Funds</u>
Additions:	
Contributions:	
Employer	\$ 614,176
Plan members	241,808
State	368,000
Total contributions	<u>1,223,984</u>
Investment income:	
Net increase (decrease) in fair value	800,302
Interest	616,953
Less: investment expense	(51,181)
Net investment income (loss)	<u>1,366,074</u>
Total additions	2,590,058
Deductions:	
Benefits/distributions	755,591
Administrative expenses	114,255
Total deductions	<u>869,846</u>
Change in net position	1,720,212
Net position, beginning	18,841,260
Net position, ending	<u>\$ 20,561,472</u>



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NOTES TO FINANCIAL STATEMENTS



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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 is the governing board and the City has operational responsibility for the Fund. Separate financial statements are not issued for the TIF district.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The government reports the following funds:

Major Governmental Funds

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.

Pavilion Fund - Accounts for the revenues and expenditures of the Wooton Park Pavilion.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure Surtax Special Revenue Fund - is used to account for the proceeds and expenditures of Local Government Infrastructure Surtax, which by law is only to be used for capital improvements.

Nonmajor Governmental Funds

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

Capital Projects Fund - is used to account for acquisition and construction activity for large-scale projects of the general government.

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 - 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 - 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.

Nonmajor Proprietary Funds

No proprietary funds were classified as nonmajor funds.

Other Fund Types

Pension trust funds - account for activities of police officers' and firefighters' retirement plans, which accumulate resources for pension benefit payments of qualified employees.

Permanent funds - account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

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 and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. The City's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. These are recorded as expenditures when consumed rather than when purchased.

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.

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 acquisition 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 \$1,476,602. Of this amount, \$302,639 was included as part of the cost of capital assets under construction in connection with water and wastewater construction projects.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 items are the deferred outflows of pension and OPEB 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 two items that qualify for reporting in this category, which are the deferred inflows of pension and OPEB earnings.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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.

New GASB Statement Implemented

In fiscal year 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple- Employer Plans, for OPEB*. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources for postemployment benefits other than pensions.

NOTE 2 ACCOUNTING CHANGES AND PRIOR PERIOD RESTATEMENT

Beginning net position of the Governmental Activities, Business-Type Activities, Water and Sewer Fund, Solid Waste Fund, Stormwater Fund, and Seaplane Base have been adjusted for the effects of implementation of GASB Statement No. 75:

	Government-Wide	
	Governmental Activities	Business-Type Activities
Net position, October 1, 2017, previously stated	\$ 21,248,354	\$ 42,315,449
Restatement of net position due to implementation of GASB 75*	(191,971)	(86,324)
Net position October 1, 2017, restated	\$ 21,056,383	\$ 42,229,125

	Proprietary Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Seaplane Base
Net position, October 1, 2017, previously stated	\$ 37,810,189	\$ 2,190,410	\$ 2,348,616	\$ (33,766)
Restatement of net position due to implementation of GASB 75*	(52,043)	(15,350)	(9,741)	(9,190)
Net position October 1, 2017, restated	\$ 37,758,146	\$ 2,175,060	\$ 2,338,875	\$ (42,956)

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

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	\$ 6,940,622
Depreciation expense	(1,436,302)
Net adjustment to increase net <i>changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	\$ 5,504,320

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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

Debt issued or incurred:	
Notes payable	\$ (5,484,000)
Principal repayment	3,734,928
	<hr/>
Net Adjustment to increase <i>net changes in fund balances</i> -	
total governmental funds to arrive at <i>changes in net position of</i>	
<i>governmental activities</i>	<u>\$ (1,749,072)</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	\$ (83,073)
Accrued interest payable (net change)	(17,711)
Other post employment benefits	(10,557)
	<hr/>
Net Adjustment to Decrease <i>Net Changes in Fund Balances</i> -	
total governmental funds to arrive at <i>changes in net position of</i>	
<i>governmental activities</i>	<u>\$ (111,341)</u>

NOTE 4 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Appropriations in Excess of Funds Available

The Pavilion Fund, Downtown TIF District Fund, Grant Fund, and Police Forfeitures Fund contained appropriations in excess of revenues and available fund balance for the fiscal year ending September 30, 2018.

Deficit Fund Balances

The Greater Downtown TIF District Special Revenue Fund, Pavilion Fund, and Capital Projects Fund have deficit fund balances at September 30, 2018.

Expenditures and Transfers Out in Excess of Appropriations

The culture and recreation department of the Capital Projects Fund contained expenditures in excess of appropriations for the fiscal year ended September 30, 2018.

Budgetary Information

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

1. Prior to the end of the fiscal year, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them. Budgets are adopted for all funds except pension trust funds and permanent funds.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1st, the budget is legally enacted through passage of a resolution.

NOTE 4 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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.

NOTE 5 DEPOSITS AND INVESTMENTS

Deposits

The City's 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 Statutes, Chapter 280, "Florida Security for Public Deposits Act." 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.

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;

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

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

Most of the City's investments besides pension funds are invested in interest bearing accounts approved by the State of Florida as a "Qualified Public Depository" and in the SBA, an investment pool administered by the State of Florida.

Investments held in the State Board of Administration Fund (SBA) consist of short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements of a 2a-7 like pool for the A fund and the fair value of the position in the pool is equal to the fair value of the statements. 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, 2018 are summarized below. In accordance with GASB Statement No. 31, investments are reported at fair value, except for the investment in the SBA, which is carried at amortized cost and approximates fair value.

Investment Type	Fair Value	Rating	Weighted Average Maturity
Certificate of Deposit	\$ 2,028,637	Unrated	186 days
Florida Prime	3,931,772	AAAm	33 days
	<u>\$ 5,960,409</u>		

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.

NOTE 5 DEPOSITS AND 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, 2018, 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.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the City's own data in measuring unobservable inputs.

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NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

The City has the following recurring fair value measurements as of September 30, 2018:

	9/30/2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Police Officers' Pension				
Mutual Funds				
Large growth equity	\$ 2,037,722	\$ 2,037,722	\$ -	\$ -
Large blend equity	346,446	346,446	-	-
Large value equity	1,582,484	1,582,484	-	-
Mid cap blend equity	678,748	678,748	-	-
Small blend equity	656,031	656,031	-	-
International growth equity	1,844,548	1,844,548	-	-
Convertible bond fund	1,393,702	1,393,702	-	-
Broad market bond fund	3,385,940	3,385,940	-	-
Common and collective funds				
Real estate	674,216	-	-	674,216
Total	\$ 12,599,837	\$ 11,925,621	\$ -	\$ 674,216
Firefighters' Pension Plan				
Mutual Funds				
Large growth equity	\$ 1,298,349	\$ 1,298,349	\$ -	\$ -
Large blend equity	185,678	185,678	-	-
Large value equity	937,470	937,470	-	-
Mid cap blend equity	426,852	426,852	-	-
Small blend equity	416,650	416,650	-	-
International growth equity	1,018,292	1,018,292	-	-
Convertible bond fund	761,633	761,633	-	-
Broad market bond fund	2,144,089	2,144,089	-	-
Common and collective funds				
Real estate	366,241	-	-	366,241
Total	\$ 7,555,254	\$ 7,189,013	\$ -	\$ 366,241

NOTE 6 RECEIVABLES

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

	Accounts Receivable	Allowance for Uncollectible	Total
General	\$ 331,841	\$ (64,746)	\$ 267,095
Greater Downtown TIF	19,370	(2,511)	16,859
Pavilion Fund	6,558	-	6,558
Nonmajor Special Revenue	209,473	(25,290)	184,183
Long-Term Insurance Receivable	3,300,584	-	3,300,584
Water & Sewer	2,841,217	(992,602)	1,848,615
Sanitation	400,342	(59,159)	341,183
Stormwater	166,239	(19,768)	146,471
Seaplane Base	2,951	(962)	1,989
Total	\$7,278,575	\$(1,165,038)	\$6,113,537

Long-Term Insurance Receivable

The governmental activities receivable relates to estimated insurance proceeds to be received as a result of the destruction of the Wooton Park facility in Hurricane Irma. This receivable does not represent current financial resources and therefore will not be recognized on the governmental fund financial statements until it meets the criteria for recognition on the governmental funds.

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NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,477,809	\$ 116,283	\$ -	\$ 6,594,092
Construction in progress	5,881,077	6,246,889	(1,652,976)	10,474,990
Total capital assets not being depreciated	12,358,886	6,363,172	(1,652,976)	17,069,082
Capital assets, being depreciated:				
Buildings	12,149,470	243,084	(32,120)	12,360,434
Improvements/Infrastructure	17,717,739	1,769,840	-	19,487,579
Machinery and equipment	7,879,623	140,383	(156,221)	7,863,785
Software/licenses	213,621	77,119	(692)	290,048
Total capital assets being depreciated	37,960,453	2,230,426	(189,033)	40,001,846
Less accumulated depreciation for:				
Buildings	(2,749,427)	(309,805)	11,242	(3,047,990)
Improvements/Infrastructure	(5,266,226)	(763,406)	-	(6,029,632)
Machinery and equipment	(6,638,396)	(355,875)	144,509	(6,849,762)
Software/licenses	(196,292)	(7,216)	692	(202,816)
Total accumulated depreciation	(14,850,341)	(1,436,302)	156,443	(16,130,200)
Total capital assets, being amortized/depreciated:	23,110,112	794,124	(32,590)	23,871,646
Governmental activities assets, net	\$ 35,468,998	\$ 7,157,296	\$ (1,685,566)	\$ 40,940,728

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 491,760	\$ 41,503	\$ -	\$ 533,263
Construction in progress	20,174,735	5,192,678	(16,779,681)	8,587,732
Total capital assets not being depreciated	20,666,495	5,234,181	(16,779,681)	9,120,995
Capital assets being depreciated:				
Buildings & improvements	65,688,293	17,635,113	(2,618)	83,320,788
Machinery and equipment	7,993,021	940,695	(25,153)	8,908,563
Software/licenses	44,288	17,982	-	62,270
Total capital assets being depreciated	73,725,602	18,593,790	(27,771)	92,291,621
Less accumulated depreciation for:				
Buildings & improvements	(30,071,659)	(2,636,641)	2,324	(32,705,976)
Machinery and equipment	(5,737,183)	(557,401)	21,047	(6,273,537)
Software/licenses	(29,025)	(10,337)	-	(39,362)
Total accumulated depreciation	(35,837,867)	(3,204,379)	23,371	(39,018,875)
Total capital assets being depreciated, net	37,887,735	15,389,411	(4,400)	53,272,746
Business-type activities capital assets, net	\$ 58,554,230	\$ 20,623,592	\$ (16,784,081)	\$ 62,393,741

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 93,566
Public safety	227,939
Physical environment	480,138
Economic Development	22,246
Culture and recreation	612,413
Total depreciation expense - governmental activities	\$ 1,436,302
Business-type activities:	
Water & sewer	2,845,715
Solid waste	192,248
Stormwater	153,455
Seaplane base & marina	12,961
Total depreciation expense - business-type activities	\$ 3,204,379

NOTE 8 LONG-TERM DEBT

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, 2018
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	\$ 4,720,000	\$ 3,385,000
Water and Sewer Revenue and Refunding Bonds, Series 2012B	2.69% (2/1 & 8/1)	8/1/2015 to 8/1/2030	\$ 2,370,000	1,870,000
				<u>\$5,255,000</u>

	Maximum Annual Debt Service	Fiscal Year Principal & Interest Paid	Principal & Interest Remaining	Total Pledged Revenues
Business-Type Activities				
Water and Sewer Revenue and Refunding Bonds, Series 2012A	\$ 336,561	\$ 332,378	\$ 4,005,852	\$ 5,687,659
Water and Sewer Revenue and Refunding Bonds, Series 2012B	\$ 186,672	\$ 183,800	\$ 2,212,437	\$ 5,687,659

Year ending September 30,	Business -Type Activities	
	Principal	Interest
2019	\$ 380,000	\$ 141,360
2020	385,000	131,138
2021	395,000	120,781
2022	410,000	110,156
2023	420,000	99,127
2024-2028	2,270,000	320,379
2029-2030	995,000	40,350
	<u>\$ 5,255,000</u>	<u>\$ 963,291</u>

The City of Tavares Water and Sewer Revenue Bonds, Series 2012, are secured by net revenues from the water and sewer utility.

NOTE 8 LONG-TERM DEBT (CONTINUED)

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. 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:

	Business-type Activities
Assets -	
Machinery and equipment	\$ 613,951
Less: accumulated depreciation	(523,257)
Total	\$ 90,694

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

Year Ending September 30,	Business-type Activities
2019	\$ 67,241
Total minimum lease payments	67,241
Less: amount representing interest	(742)
	\$ 66,499

Notes Payable

In December 2017, the City issued Capital Improvement Refunding Revenue Note, Series 2017, in the amount of \$5,484,000. The proceeds of the Note were used, in part, to refund the Capital Improvement Revenue Note, Series 2013, in the amount of \$2,436,804, including accrued interest through the date of the issuance. The remainder of the proceeds are to provide additional funds for the completion of a public safety complex. The Series 2013 Note was refunded in order to take advantage of lower interest rates, to remove a provision providing for interest rate escalation in the event of tax code changes, and to reduce total future payments. The refunding resulted in an economic loss of \$3,525 and a reduction of \$29,594 in total future debt service payments.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes payable outstanding at year end are as follows:

	Interest Rates and Dates	Issue and Final Maturity Dates	Original Amount	Balance September 30, 2018
Governmental Activities				
Capital Improvement Revenue Note Series 2008	3.99% 10/1 & 4/1	5/23/2008 10/1/2027	\$ 1,500,000	\$ 850,000
Capital Improvement Revenue Refunding Note Series 2012	2.32% 2/1 & 8/1	6/14/2012 2/1/2028	\$ 6,530,000	4,479,000
General Obligation Series 2012	2.77% 1/1 & 7/1	6/18/2012 7/1/2027	\$ 3,300,000	2,143,000
Capital Improvement Revenue Notes Series 2014	1.33% 10/1,1/1,4/1, 7/1	4/4/2014 4/1/2019	\$ 464,960	47,962
Sales Tax Revenue Note Series 2016	2.95% 10/1 & 4/1	8/5/2016 10/1/2032	\$ 11,250,000	10,960,000
Capital Improvement Revenue Notes Series 2016	2.15% 5/1 & 11/1	3/9/2016 9/30/2027	\$ 1,525,000	1,275,000
Capital Improvement Revenue Refunding Note Series 2017	2.51% 5/1 & 11/1	11/27/2017 9/30/2032	\$ 5,484,000	5,338,000
Total				\$ 25,092,962
	Maximum Annual Debt Service	Fiscal Year Principal & Interest Paid	Principal & Interest Remaining	Total Pledged Revenues
Governmental Activities				
Capital Improvement Revenue Note Series 2008	\$ 114,688	\$ 113,987	\$ 1,028,631	N/A
Capital Improvement Revenue Refunding Note Series 2012	\$ 504,127	\$ 514,961	\$ 5,018,783	\$ 1,588,761
General Obligation Series 2012	\$ 272,487	\$ 271,095	\$ 2,450,610	\$ 237,852
Capital Improvement Revenue Notes Series 2014	\$ 48,201	\$ 96,117	\$ 48,201	N/A
Sales Tax Revenue Note Series 2016	\$ 967,607	\$ 621,875	\$ 13,537,002	\$ 1,611,875
Capital Improvement Revenue Notes Series 2016	\$ 158,166	\$ 153,756	\$ 1,402,011	N/A
Capital Improvement Revenue Refunding Note Series 2017	\$ 453,735	\$ 233,257	\$ 6,329,951	\$ 1,588,761

NOTE 8 LONG-TERM DEBT (CONTINUED)

	Interest Rates and Dates	Issue and Final Maturity Dates	Original Amount	Balance September 30, 2018
Business-Type Activities				
State Revolving Loan	2.15%-3.07%	4/2/2002		
WW78905P	6/15 & 12/15	12/15/2035	\$ 14,706,596	\$ 9,566,124
State Revolving Loan	2.82%	3/17/2009		
WW789060	4/15 & 10/15	4/15/2031	\$ 850,852	730,255
State Revolving Loan	2.82%	9/21/2009		
DW350301	5/15 & 11/15	11/15/2030	\$ 370,412	244,476
State Revolving Loan	2.37%	5/11/2011		
350910	3/15 & 9/15	3/15/2032	\$ 2,571,438	2,008,876
State Revolving Loan	2.15%	4/5/2013		
350920	4/15 & 10/15	3/15/2032	\$ 2,957,044	2,477,774
State Revolving Loan	1.62%-2.06%	6/28/2013		
350900	4/15 & 10/15	4/15/2035	\$ 6,505,862	5,980,092
State Revolving Loan	2.00%	6/28/2013		
350930	4/15 & 10/15	10/1/2034	\$ 8,104,060	7,425,988
State Revolving Loan	2.06%	3/31/2014		
350940	1/15 & 7/15	1/15/2037	\$ 5,506,226	5,506,226
State Revolving Loan	1.38%	4/14/2016		
350950	5/15 & 11/15	11/15/2037	\$ 20,074	19,578
Special Assessment	2.63%	12/5/2014		
Note Series 2014	4/1 & 10/1	10/1/2024	\$ 1,100,000	812,000
Capital Improvement Revenue	1.33%	4/4/2014		
Notes Series 2014	10/1,1/1,4/1 & 7/1	4/1/2019	\$ 265,671	41,351
Total				\$ 34,812,740

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NOTE 8 LONG-TERM DEBT (CONTINUED)

	Maximum Annual Debt Service		Fiscal Year Principal & Interest Paid		Principal & Interest Remaining		Total Pledged Revenues
Business-Type Activities							
State Revolving Loan WW78905P	\$ 678,854	\$	679,106	\$	11,540,516	\$	5,669,856
State Revolving Loan WW789060	\$ 57,456	\$	57,456	\$	919,301	\$	5,449,480
State Revolving Loan DW350301	\$ 24,166	\$	24,163	\$	289,893	\$	5,427,380
State Revolving Loan 350910	\$ 164,942	\$	164,836	\$	2,384,397	\$	5,420,127
State Revolving Loan 350920	\$ 188,631	\$	129,925	\$	3,018,096	\$	5,370,466
State Revolving Loan 350900	\$ 278,153	\$	198,451	\$	7,509,984	\$	5,307,429
State Revolving Loan 350930	\$ 361,297	\$	369,164	\$	9,675,193	\$	5,208,221
State Revolving Loan 350940	\$ 286,872	\$	-	\$	5,652,789	\$	5,059,223
State Revolving Loan 350950	\$ 1,176	\$	587	\$	22,455	\$	5,059,223
Special Assessment Note Series 2014	\$ 128,679	\$	126,723	\$	899,632	\$	5,684,241
Capital Improvement Revenue Notes Series 2014	\$ 41,623	\$	54,832	\$	41,623		N/A

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NOTE 8 LONG-TERM DEBT (CONTINUED)

Revenues pledged as security for notes payable are as follows:

	<u>Pledged Revenues</u>
Governmental Activities	
Capital Improvement Revenue Note Series 2008	Budget and appropriate from legally available non ad valorem revenues
Capital Improvement Revenue Refunding Note Series 2012	Utility Tax revenues
General Obligation Series 2012	Full faith and credit of the City's ad valorem taxing power
Capital Improvement Revenue Notes Series 2014	Budget and appropriate from legally available non ad valorem revenues
Sales Tax Revenue Note Series 2016	Infrastructure Sales Tax revenues
Capital Improvement Revenue Notes Series 2016	Budget and appropriate from legally available non ad valorem revenues
Capital Improvement Revenue Refunding Note Series 2017	Utility Tax revenues, on parity with the CIRRN, Series 2012.
Business-Type Activities	
State Revolving Loan Agreements	Gross revenues of the water and sewer utility after payment of operation and maintenance costs and senior debt obligations
Special Assessment Note Series 2014	Special assessments of the benefiting properties and net revenues of the water and sewer utility. of the water and sewer utility.
Capital Improvement Revenue Notes Series 2014	Budget and appropriate from legally available non ad valorem revenues

Debt service requirements for notes payable at September 30, 2018 are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,838,962	\$ 672,042	\$ 1,265,742	\$ 658,510
2020	1,843,000	623,226	1,557,735	612,352
2021	1,888,000	573,328	1,596,843	573,351
2022	1,944,000	522,031	1,627,015	543,206
2023	1,992,000	469,336	1,657,783	512,387
2024-2028	10,269,000	1,505,430	8,379,270	2,085,238
2029-2033	5,318,000	356,835	8,759,065	1,286,316
2034-2038	-	-	5,661,200	579,481
2039-2043	-	-	3,135,531	263,944
2044-2045	-	-	1,172,556	26,352
	<u>\$ 25,092,962</u>	<u>\$ 4,722,228</u>	<u>\$ 34,812,740</u>	<u>\$ 7,141,137</u>

NOTE 8 LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Beginning Balance, Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes payable					
Capital improvement 2008	\$ 927,000	\$ -	\$ (77,000)	\$ 850,000	\$ 80,000
Capital improvement 2012	4,872,000	-	(393,000)	4,479,000	402,000
General obligation 2012	2,350,000	-	(207,000)	2,143,000	213,000
Capital improvement 2013	2,402,000	-	(2,402,000)	-	-
Capital improvement 2014	142,890	-	(94,928)	47,962	47,962
Sales tax 2016	11,250,000	-	(290,000)	10,960,000	644,000
Capital improvement 2016	1,400,000	-	(125,000)	1,275,000	130,000
Capital improvement 2017	-	5,484,000	(146,000)	5,338,000	322,000
Total notes payable	23,343,890	5,484,000	(3,734,928)	25,092,962	1,838,962
Net pension liability	6,298,772	18,097	-	6,316,869	-
Net OPEB liability	265,361	83,340	-	348,701	-
Compensated absences	843,389	709,389	(626,316)	926,462	231,616
Governmental activity long-term liabilities	\$ 30,751,412	\$ 6,294,826	\$ (4,361,244)	\$ 32,684,994	\$ 2,070,578
Business-type Activities:					
Revenue bonds	\$ 5,620,000	\$ -	\$ (365,000)	\$ 5,255,000	\$ 380,000
Capital leases	166,980	-	(100,481)	66,499	66,499
Notes payable:					
State revolving loans	29,113,503	5,858,850	(1,012,964)	33,959,389	1,117,391
Special assessment note	916,000	-	(104,000)	812,000	107,000
Capital improvement note	95,267	-	(53,916)	41,351	41,351
Total notes payable	30,124,770	5,858,850	(1,170,880)	34,812,740	1,265,742
Net pension liability	2,426,089	-	(200,115)	2,225,974	-
Net OPEB liability	108,264	25,651	-	133,915	-
Compensated absences	260,024	141,309	(160,389)	240,944	60,236
Business-type activity long term liabilities	\$ 38,706,127	\$ 6,025,810	\$ (1,996,865)	\$ 42,735,072	\$ 1,772,477

The governmental activities liabilities for pension-related debt, other post employment benefits and compensated absences is fully liquidated by the general fund.

NOTE 9 CONDUIT DEBT

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2018 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, 2018. The City is not obligated in any manner for the repayment of the bonds.

NOTE 10 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of due to/from other funds at September 30, 2018 is as follows:

	Receivable Fund			Total
	General Fund	Water and Sewer Fund	Downtown TIF District	
Payable Fund				
General fund	\$ -	\$ -	\$ 21,944	\$ 21,944
Downtown TIF District	-	450,000	-	450,000
Pavilion Fund	297,297	2,091,972	-	2,389,269
Seaplane Base	6,700	-	-	6,700
Nonmajor governmental funds	428,240	1,948,924	-	2,377,164
Total	\$ 732,237	\$ 4,490,896	\$ 21,944	\$ 5,245,077

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

The amounts payable to the general fund relate to disbursements made on behalf of the pavilion 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.

NOTE 10 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

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. Principal repayments are scheduled to begin in fiscal year 2019.
- \$450,000 for the Wooten Park Train Depot Project. A change in train operators took effect in fiscal year 2018 with the Polar Express coming to the City of Tavares; with this change interfund loan repayments are scheduled to begin in fiscal year 2019.
- \$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, 2018 consisted of the following:

	Transfer in					Total
	General Fund	Water & Sewer Fund	Seaplane Base	Pavilion Fund	Nonmajor Governmental Funds	
Transfer Out:						
General fund	\$ -	\$ -	\$ 304,549	\$ 165,144	\$ 806,493	\$ 1,276,186
Greater downtown						
TIF district	-	-	118,500	-	-	118,500
Water & sewer fund	1,469,819	-	-	-	-	1,469,819
Solid waste fund	811,380	-	-	-	-	811,380
Stormwater fund	260,043	213,664	-	-	-	473,707
Nonmajor governmental funds	1,612,592	-	-	-	-	1,612,592
Total	\$ 4,153,834	\$ 213,664	\$ 423,049	\$ 165,144	\$ 806,493	\$ 5,762,184

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) move receipts restricted to debt service from the funds as debt service payments become due. Transfers amounts reflect charges to proprietary funds in lieu of taxable collections on real property owned by the utility. In addition, operating transfers are recorded to reimburse the general government for services provided on behalf of the proprietary funds.

NOTE 11 RETIREMENT PLANS

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

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 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 certain police officers of the City of Tavares. All full-time sworn police officers employed before April 1, 2018 are eligible to participate in the plan upon employment. The plan is closed to new hires. 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, 2018 active plan membership was 26 and 14 inactive plan members or beneficiaries receiving benefits.

NOTE 11 RETIREMENT PLANS (CONTINUED)

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: 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 11.3% of salary. The City is required to contribute the remaining amount required in order to pay current costs and amortize unfunded past service cost over 30 years, if any, as provided in Chapter 112, Florida Statutes. State contributions are funded by a 0.85% tax on premiums for casualty insurance.

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, 2018, the annual money-weighted rate of return on plan investments, net of investment expense, was 7.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2018 is \$45,650.

NOTE 11 RETIREMENT PLANS (CONTINUED)

Net Pension Liability of the Sponsor

The components of the net pension liability of the sponsor on September 30, 2018 were as follows:

Total Pension Liability	\$ 14,269,660
Plan Fiduciary Net Position*	(12,791,859)
Sponsor's Net Pension Liability	<u>\$ 1,477,801</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>89.64%</u>

*does not agree to the Statement of Fiduciary Net Position because of the timing of certain insignificant accruals made by the actuary.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following assumptions:

Inflation	2.70%
Salary Increases	Service based
Discount Rate	7.75%
Investment Rate of Return	7.75%

Mortality Rates

The Plan uses the following mortality tables:

Healthy Active Lives

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB
Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB

Healthy Inactive Lives

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB
Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Disabled Lives

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.
Male: 60% RP2000 Disabled Male set back four years / 40% Annuitant White Collar with no set back, no projection scale.

NOTE 11 RETIREMENT PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments can be 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	35%	8.1%
International Equity	15%	3.4%
Bonds	30%	3.6%
Convertibles	10%	6.7%
Private Real Estate	5%	4.9%
Infrastructure	5%	9.1%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 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.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease	Current Discount Rate	1% Increase
	6.75%	7.75%	8.75%
Sponsor's Net Pension Liability	\$ 3,490,947	\$ 1,477,801	\$ (164,698)

NOTE 11 RETIREMENT PLANS (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at September 30, 2017	\$ 13,214,047	\$ (11,868,844)	\$ 1,345,203
Changes for a Year:			
Service cost	424,046	-	424,046
Interest	1,068,463	-	1,068,463
Change in excess state money	(8,386)	-	(8,386)
Share plan allocation	25,403	-	25,403
Difference between expected and actual experience	57,069	-	57,069
Changes of assumptions	36,863	-	36,863
Contributions - employer	-	(288,020)	(288,020)
Contributions - state	-	(202,917)	(202,917)
Contributions - employee	-	(186,334)	(186,334)
Net investment income	-	(844,670)	(844,670)
Benefit payments and refunds	(547,845)	547,845	-
Administrative Expense	-	51,081	51,081
Balances at September 30, 2018	<u>\$ 14,269,660</u>	<u>\$ (12,791,859)</u>	<u>\$ 1,477,801</u>

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

For the year ended September 30, 2018, the City recognized pension expense of \$14,452. On September 30, 2018, 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	\$ 15,070	\$ -
Differences Between Expected and Actual Experience	195,713	147,113
Changes of Assumptions	71,232	-
Balance, September 30, 2018	<u>\$ 282,015</u>	<u>\$ 147,113</u>

NOTE 11 RETIREMENT PLANS (CONTINUED)

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,	
2019	\$ 127,229
2020	(71,435)
2021	(33,224)
2022	41,587
2023	39,434
Thereafter	31,311
	<u>\$ 134,902</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, 2018 active plan membership was 23 and there was one inactive plan member 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.

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.

NOTE 11 RETIREMENT PLANS (CONTINUED)

Supplemental Chapter 175 Share Accounts:

Effective September 30, 2015, excess Premium tax monies received pursuant to Chapter 175, Florida Statutes will be allocated to individual Member (including DROP participants) share accounts based on years of Credited Service.

Excess Monies: 50% of annual amounts in excess of \$82,328.24, in addition to an initial allocation of 50% of the Excess State Monies Reserve in place as of September 30, 2015.

Investment Earnings: Plan earnings, net of investment-related expenses.

Expenses: Based on expenses related to administration of the Share plan, debited against individual accounts on a pro-rata basis.

Contributions

Employees are required to contribute 3.5% of salary. Effective February 2, 2019, the employee contribution is 2.0%. 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. State contributions are funded by a 1.85% tax on premiums for fire insurance.

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, 2018, the annual money-weighted rate of return on plan investments, net of investment expense, was 7.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2018 is \$0.

Net Pension Liability of the Sponsor

The components of the net pension liability of the sponsor on September 30, 2018 were as follows:

Total Pension Liability	\$ 8,031,055
Plan Fiduciary Net Position*	(7,777,388)
Sponsor's Net Pension Liability	<u>\$ 253,667</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	96.84%

*does not agree to the Statement of Fiduciary Net Position because of the timing of certain insignificant accruals made by the actuary

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following assumptions:

Inflation	2.70%
Salary Increases	Service based
Discount Rate	7.25%
Investment Rate of Return	7.25%

NOTE 11 RETIREMENT PLANS (CONTINUED)

Mortality Rates

The Plan uses the following mortality tables:

Healthy Lives

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Blue Collar, Scale BB

Inactive Lives

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Blue Collar, Scale BB

Disabled Lives

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male set back four years / 40% Annuitant White Collar with no set back, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated September 20, 2018.

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	35%	8.1%
International Equity	15%	3.4%
Bonds	30%	3.6%
Convertibles	10%	6.7%
Private Real Estate	5%	4.9%
Infrastructure	5%	9.1%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Sponsor's Net Pension Liability	\$ 1,373,999	\$ 253,667	\$ (673,794)

NOTE 11 RETIREMENT PLANS (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(Asset)
	(a)	(b)	(a) - (b)
Balances at September 30, 2017	\$ 7,242,343	\$ (7,065,397)	\$ 176,946
Changes for a Year:			
Service cost	351,953	-	351,953
Interest	599,269	-	599,269
Share plan allocation	1,082	-	1,082
Difference between expected and actual experience	(93,474)	-	(93,474)
Changes of assumptions	136,385	-	136,385
Changes of benefit terms	(368)	-	(368)
Contributions - employer	-	(223,986)	(223,986)
Contributions - state	-	(165,082)	(165,082)
Contributions - employee	-	(56,084)	(56,084)
Net investment income	-	(512,617)	(512,617)
Benefit payments and refunds	(206,135)	206,135	-
Administrative Expense	-	39,643	39,643
Balances at September 30, 2018	\$ 8,031,055	\$ (7,777,388)	\$ 253,667

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

For the year ended September 30, 2018, the City recognized pension expense of \$(90,290). On September 30, 2018, the City reported deferred outflows and inflows of resources related to the FPP from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflows of Resources
Net Difference Between Expected and Actual		
Earnings on Pension Plan Investments	\$ 16,082	\$ -
Differences Between Expected and Actual Experience	-	731,563
Changes of Assumptions	122,751	7,480
Balance, September 30, 2017	<u>\$ 138,833</u>	<u>\$ 739,043</u>

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

Year Ended September 30,	
2019	\$ (43,756)
2020	(153,505)
2021	(136,923)
2022	(100,598)
2023	(112,716)
Thereafter	(52,712)
	<u>\$ (600,210)</u>

NOTE 11 RETIREMENT PLANS (CONTINUED)

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, 2018, there were four 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 \$23,886. There were no forfeitures applied to the City's contributions during the year ended September 30, 2018.

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, 2018, there were no plan members. Only employees that are not otherwise eligible to participate in the FRS Plan are eligible. The City is required to contribute a percentage of annual covered payroll equal to FRS statutory rates (8.26% at September 30, 2018). 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 \$0. There were no forfeitures applied to the City's contributions during the year ended September 30, 2018.

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.

NOTE 11 RETIREMENT PLANS (CONTINUED)

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 the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, FL 32315-9000, or from the website: www.dms.myflorida.com/workforce_operations/retirement/publications

Funding Policy:

The FRS has ten (10) classes of membership. Only five (5) classes are applicable to the City's eligible employees. These classes, with descriptions and contribution rates in effect during the period ended September 30, 2018 are as follows:

Regular Class - Members not qualifying for other classes (11.26% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 10.92% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018).

Special Risk Class - (27.50% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 26.27% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018).

Special Risk Administrative Support Class - (37.98% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 37.63% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018).

Deferred Retirement Option Program (DROP) - 14.03% [DROP participants are not required to contribute] from July 1, 2018 through September 30, 2018 and 13.26% from October 1, 2017 through June 30, 2018.

Senior Management - 27.06% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 25.71% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018.

These employer contribution rates include 1.66% HIS Plan subsidy for both periods October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively.

1. 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.

NOTE 11 RETIREMENT PLANS (CONTINUED)

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.

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 City's contributions, including employee contributions, to the Pension Plan totaled \$473,561 for the fiscal year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability of \$4,976,723 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2018 fiscal year contributions relative to the 2017 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .01652 percent, which was a decrease of .00128 percent from its proportionate share measured as of June 30, 2017.

NOTE 11 RETIREMENT PLANS (CONTINUED)

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$474,277. 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	\$ 421,603	\$ 15,302
Change of Assumptions	1,626,151	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	384,513
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	284,487	191,839
Pension Plan Contributions Subsequent to the Measurement Date	114,215	-
	\$ 2,446,456	\$ 591,654

The deferred outflows of resources related to the Pension Plan, totaling \$114,215 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, 2019. 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:

Year Ended September 30,	
2019	\$ 731,003
2020	478,747
2021	64,059
2022	283,007
2023	169,165
Thereafter	14,606
	\$ 1,740,587

Actuarial Assumptions

The total pension liability in the June 30, 2018 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	7.00%, 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, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

NOTE 11 RETIREMENT PLANS (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%	2.90%	2.90%	1.80%
Fixed Income	18.00%	4.40%	4.30%	4.00%
Global Equity	54.00%	7.60%	6.30%	17.00%
Real Estate	11.00%	6.60%	6.00%	11.30%
Private Equity	10.00%	10.70%	7.80%	26.50%
Strategic Investments	6.00%	6.00%	5.70%	8.60%
Total	100.00%			
Assumed Inflation - Mean			2.60%	1.90%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Discount Rate Minus 1% 6.00%	Current Discount Rate 7.00%	Discount Rate Plus 1% 8.00%
City's Proportionate Share of Net Pension Liability (FRS)	\$ 9,082,728	\$ 4,976,723	\$ 1,566,443

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.

NOTE 11 RETIREMENT PLANS (CONTINUED)

Payables to the Pension Plan

At September 30, 2018, the City reported a payable in the amount of \$53,695 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

2. 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, 2018, 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, 2018, the HIS contribution for the period October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018 was 1.66% for both periods. 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 \$93,362 for the fiscal year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability of \$1,834,652 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2018 fiscal year contributions relative to the 2017 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .01733 percent, which was a decrease of .0008 percent from its proportionate share measured as of June 30, 2017.

NOTE 11 RETIREMENT PLANS (CONTINUED)

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$61,323. 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	\$ 28,088	\$ 3,117
Change of Assumptions	204,036	193,975
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,107	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	166,691	84,056
Pension Plan Contributions Subsequent to the Measurement Date	21,339	-
	\$ 421,261	\$ 281,148

The deferred outflows of resources related to the HIS Plan, totaling \$21,339 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, 2019. 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,	
2019	\$ 43,414
2020	43,321
2021	41,198
2022	25,065
2023	(13,551)
Thereafter	(20,673)
	\$ 118,774

Actuarial Assumptions

The total pension liability in the July 1, 2018, 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	3.87% 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, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

NOTE 11 RETIREMENT PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 3.87%. 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 3.87%, 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 (2.87%) or one percentage point higher (4.87%) than the current rate:

	Discount Rate Minus 1% 2.87%	Current Discount Rate 3.87%	Discount Rate Plus 1% 4.87%
City's Proportionate Share of Net Pension Liability (FRS)	\$ 2,089,562	\$ 1,834,652	\$ 1,622,171

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.

3. 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 2018 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%, and Senior Management Service class 7.67%.

NOTE 11 RETIREMENT PLANS (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, 2018, 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, 2018 was \$53,255.

Aggregate Amounts of All Pension Plans

The aggregate amounts for all of the City's defined benefit pension plans at September 30, 2018 are as follows:

	Governmental Activities			
	Net Pension Asset (Liability)	Deferred Inflows	Deferred Outflows	Pension Expense
Police Officers' Pension Plan	\$ (1,477,801)	\$ (147,113)	\$ 282,015	\$ 14,452
Firefighters' Pension Plan	(253,667)	(739,043)	138,833	(90,290)
FRS Pension Plan	(3,350,318)	(398,300)	1,646,948	345,831
HIS Pension Plan	(1,235,083)	(189,268)	283,592	57,660
	<u>\$ (6,316,869)</u>	<u>\$ (1,473,724)</u>	<u>\$ 2,351,388</u>	<u>\$ 327,653</u>
	Business-type Activities			
	Net Pension Asset (Liability)	Deferred Inflows	Deferred Outflows	Pension Expense
FRS Pension Plan	\$ (1,626,405)	\$ (193,354)	\$ 799,508	\$ 128,446
HIS Pension Plan	(599,569)	(91,880)	137,669	3,663
	<u>\$ (2,225,974)</u>	<u>\$ (285,234)</u>	<u>\$ 937,177</u>	<u>\$ 132,109</u>

NOTE 12 OTHER POST EMPLOYMENT BENEFITS

Plan Description

In accordance with Florida Statutes Section 112.0801, the City's single-employer defined benefit OPEB plan makes continued group health insurance coverage through the city's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met.

Retirement Eligibility

General Employees

Participants of the Florida Retirement System are eligible at age 62 and 6 years of service, or 30 years of service. A participant may elect early retirement upon the attainment of age 50 and 10 years of service.

Firefighters

Participants are eligible upon attaining the earlier of: 1) Age 55 and 10 Years of Credited Service; or 2) Age 52 and 25 Years of Credited Service. They are eligible for Early Retirement at Age 50 with 10 Years of Credited Service.

Police Officers

Participants are eligible upon attaining the earlier of: 1) Age 55 and 10 Years of Credited Service; or 2) 25 Years of Credited Service. They are eligible for Early Retirement at Age 50 with 10 Years of Credited Service.

Benefits Provided

The City allows retirees to continue medical insurance coverage under the City's health insurance plan until age 65 or Medicare eligibility. Spouses and dependents of a retiree may continue medical coverage under the plan provided the applicable premium is paid.

Retiree Contributions

The retiree is required to pay the full premium for post-retirement medical coverage.

Employees Covered by Benefit Terms

At October 1, 2017 (the valuation date), the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	8
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	166
	<u>174</u>

Total OPEB Liability

The City's total OPEB liability of \$482,616 as of September 30, 2018 for the City's fiscal year and reporting period of October 1, 2017 to September 30, 2018. The values shown for this fiscal year and reporting period are based on a measurement date of October 1, 2017 and the corresponding measurement period of October 1, 2016 to October 1, 2017. The measurement of the total OPEB liability is based on a valuation date of October 1, 2017.

Total Pension Liability	\$ 482,616
Plan Fiduciary Net Position	-
Sponsor's Net Pension Asset	<u>\$ 482,616</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Asset	0.00%

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the October 1, 2017 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	4.18% (Bond Buyer's 20-Bond GO Index as of September 30, 2018)
Salary Scale	General Employees: 2.50%, Firefighters: 3.00%, Police Officers: 6.00%
Health Care Cost Trend Rates	2017: 4.5%, 2018: 4.5% Ultimate: 4.5%. Includes 2.5% inflation assumption.
Mortality	Group Annuity 1983 Mortality Table. Mortality improvements have not been considered as studies do not indicate significant improvements in mortality rates for the Southeast US.
Actuarial Cost Method	Entry Age Actuarial Cost Method

Changes in Total OPEB Liability

	<u>OPEB Liability</u>
Balances at September 30, 2017	\$ 373,625
Changes for the year:	
Service cost	17,550
Interest	17,590
Changes of assumptions	112,950
Benefit payments	<u>(39,099)</u>
Net Changes	<u>108,991</u>
Balances at September 30, 2018	<u><u>\$ 482,616</u></u>

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability/(asset) of the employer as of the measurement date calculated using the discount rate, as well as what the employer's net OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>3.18%</u>	<u>4.18%</u>	<u>5.18%</u>
Plan Sponsor's Net OPEB Liability	\$ 526,563	\$ 482,616	\$ 444,421

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.5 percent) or 1-percentage-point higher (5.5 percent) than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
	<u>3.5%</u>	<u>4.5%</u>	<u>5.5%</u>
Plan Sponsor's Net OPEB Liability	\$ 441,078	\$ 482,616	\$ 531,107

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$7,941. On September 30, 2018, the City reported deferred outflows and inflows of resources related to the OPEB plan from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 98,281	\$ 15,785
Balance, September 30, 2018	\$ 98,281	\$ 15,785

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

Year Ended September 30,	
2019	\$ 11,900
2020	11,900
2021	11,900
2022	11,900
2023	11,900
Thereafter	22,996
	\$ 82,496

NOTE 13 RISK MANAGEMENT

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

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

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

NOTE 14 COMMITMENTS AND CONTINGENCIES

Litigation

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2018. 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, 2018, 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 15 FUND BALANCE

At September 30, 2018, the city's governmental fund balances were as follows:

Fund Balances	General	Pavilion Fund	Greater Downtown TIF District	Infrastructure Special Revenue	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Inventory/prepays	\$ 10,145	\$ -	\$ -	\$ -	\$ -	\$ 10,145
Advances to other funds	303,997	-	-	-	-	303,997
Non-expendable trust	-	-	-	-	29,295	29,295
Spendable						
Restricted for:						
Public safety	-	-	-	-	1,119,549	1,119,549
Capital projects	-	-	-	10,473,095	8,695	10,481,790
Culture recreation	-	-	-	-	275,008	275,008
Debt Service	-	-	-	-	356,858	356,858
Unassigned	1,775,046	(2,243,956)	(317,239)	-	(473,414)	(1,259,563)
Total fund balances	\$ 2,089,188	\$ (2,243,956)	\$ (317,239)	\$ 10,473,095	\$ 1,315,991	\$ 11,317,079

NOTE 16 OTHER DISCLOSURES

Subsequent Events

In October 2018, the City approved the issuance of Capital Improvement Revenue Note, Series 2018, in the amount of \$837,000 at 3.25% interest to purchase certain equipment.

In November 2018, the City approved SRF Loan 350351 in the amount of \$6,653,450 at 1.38% interest for sewer system upgrades.

In December 2018, the City approved SRF Loan 350361 in the amount of \$835,180 at 1.01% interest for water system upgrades.

In March 2019, the City approved the closure of the Firefighter's Pension Plan to new entrants hired after February 7, 2019. Participant salary contributions to the FPP were lowered from 3.5% to 2%.



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REQUIRED SUPPLEMENTARY INFORMATION



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City of Tavares, Florida
Required Supplementary Information
Schedule of Changes in the City's Net OPEB Liability and Related Ratios
September 30, 2018

	9/30/2018	9/30/2017
Total OPEB Liability		
Service cost	\$ 17,550	\$ 17,684
Interest	17,590	12,707
Changes of benefit terms	-	-
Differences between expected and actual experience	112,950	(21,323)
Changes of assumptions	-	-
Benefit Payments, including refunds of employee contributions	(39,099)	(33,028)
Net change in total OPEB liability	108,991	(23,960)
Total OPEB liability, beginning	373,625	397,585
Total OPEB liability, ending (a)	\$ 482,616	\$ 373,625
Plan Fiduciary Net Position		
Contributions, employer	-	-
Contributions, employee	-	-
Benefit payments, including refunds of employee contributions	-	-
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position, beginning	-	-
Plan fiduciary net position, ending (b)	\$ -	\$ -
Net OPEB liability, ending (a) - (b)	\$ 482,616	\$ 373,625
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
Covered payroll	\$ 9,501,221	\$ 9,428,806
Net OPEB liability as a percentage of covered payroll	5.08%	3.96%
Notes to Schedule: None.		

* Data before 2017 is not available.

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, 2018

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Total Pension Liability						
Service Cost	\$ 424,046	\$ 416,167	\$ 373,508	\$ 381,485	\$ 360,391	\$ 333,695
Interest	1,068,463	989,676	940,412	878,385	812,355	765,641
Change in Excess State Money	(8,386)	-	8,058	328	-	-
Share plan allocation	25,403	-	-	-	-	-
Changes of Benefit Terms	-	(407)	-	-	-	-
Differences Between Expected and Actual Experience	57,069	202,980	(203,397)	(72,066)	-	-
Contributions - Buy Back	-	38,906	15,079	-	32,858	-
Changes of Assumptions	36,863	-	67,314	-	-	-
Benefit Payments, including refunds of employee contributions	(547,845)	(793,713)	(445,008)	(363,987)	(438,639)	(645,582)
Net Change in Total Pension Liability	1,055,613	853,609	755,966	824,145	766,965	453,754
Total Pension Liability - beginning	13,214,047	12,360,438	11,604,472	10,780,327	10,013,362	9,559,608
Total Pension Liability - ending (a)	\$ 14,269,660	\$ 13,214,047	\$ 12,360,438	\$ 11,604,472	\$ 10,780,327	\$ 10,013,362
Plan Fiduciary Net Position						
Contributions - employer	288,020	356,463	280,634	309,496	316,247	278,574
Contributions - state	202,917	-	91,349	83,619	79,280	77,207
Contributions - employee	186,334	199,142	198,795	182,992	193,826	183,481
Contributions - buy back	-	38,906	15,079	-	32,858	-
Net Investment Income	844,670	1,186,825	982,121	(198,020)	924,676	921,377
Benefit Payments, Including Refunds of Employee Contributions	(547,845)	(793,713)	(445,008)	(363,987)	(438,639)	(645,582)
Administrative Expense	(51,081)	(42,879)	(33,495)	(29,378)	(16,039)	(10,500)
Net Change in Plan Fiduciary Net Position	923,015	944,744	1,089,475	(15,278)	1,092,209	804,557
Plan Fiduciary Net Position - beginning	11,868,844	10,924,100	9,834,625	9,849,903	8,757,694	7,953,137
Plan Fiduciary Net Position - ending (b)	\$ 12,791,859	\$ 11,868,844	\$ 10,924,100	\$ 9,834,625	\$ 9,849,903	\$ 8,757,694
Net Pension Liability - ending (a) - (b)	\$ 1,477,801	\$ 1,345,203	\$ 1,436,338	\$ 1,769,847	\$ 930,424	\$ 1,255,668
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.64%	89.82%	88.38%	84.75%	91.37%	87.46%
Covered Payroll*	\$ 1,661,148	\$ 1,612,728	\$ 1,549,670	\$ 1,429,622	\$ 1,514,268	\$ 1,433,445
Net Pension Liability as a Percentage of Covered Payroll	88.96%	83.41%	92.69%	123.80%	61.44%	87.60%

*The Covered payroll figures shown are in compliance with GASB 82.

For measurement date 9/30/18, amounts reported as changes of assumptions resulted from the results of the September 18, 2018 experience study.

For measurement date 09/30/2017, amounts reported as changes of benefit terms resulted from the following changes:

A reduction in the Member Contribution Rate from 12.8% to 11.3%, effective June 2, 2017. As of the completion date of the 10/01/2017 valuation, the associated ordinance has not yet been passed (but the Member Contribution reduction has taken effect).

Plan Closure to new hires, effective on or around April 1, 2018, per Ordinance 2018-02, as adopted February 21, 2018.

For measurement date 9/30/16, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3.00% to 2.70% matching the long-term inflation assumption used by the Plan's investment consultant.

*Data before 2013 is not available.

City of Tavares, Florida
Required Supplementary Information
Schedule of City Contributions - Police Officers' Pension Plan
September 30, 2018

Fiscal year ended	Contributions in Relation to the				Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	
9/30/2018	\$ 457,148	\$ 462,443	\$ (5,295)	\$ 1,661,148	27.84%
9/30/2017	\$ 390,441	\$ 356,463	\$ 33,978	\$ 1,612,728	22.10%
9/30/2016	\$ 362,468	\$ 363,925	\$ (1,457)	\$ 1,549,670	23.48%
9/30/2015	\$ 360,266	\$ 392,787	\$ (32,521)	\$ 1,429,622	27.47%
9/30/2014	\$ 395,527	\$ 395,527	\$ -	\$ 1,514,268	26.12%
9/30/2013	\$ 355,781	\$ 355,781	\$ -	\$ 1,433,445	24.82%

Notes to Schedule

Valuation Date 10/1/2016

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:

Mortality Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.
Male: RP2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar, Scale BB.

Disability Mortality Table Female: 60% RP2000 Disabled Female set forward two years/40% Annuitant White Collar with no setback, no projection scale.
Male: 60% RP2000 Disabled Female set back four years/40% Annuitant White Collar with no setback, no projection scale.

Interest Rate 8.0% per year, compounded annually net of investment related expenses.

Disability Rates See table below. It is assumed that 75% of Disability Retirements and Pre-Retirement Deaths are service-related.

Retirement Age Earlier of age 55 and 10 years of service, or 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.

Salary Increases 6.0% until the assumed retirement age.

Liability Load	Hire Date	Assumption
	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

Payroll Growth 2.06% per year, in compliance with Part VII of Chapter 112, Florida Statutes.

Cost-of-Living Adjustment 2.0% annually following one year of retirement.

Funding Method Entry Age Normal Actuarial Cost Method.

Amortization Method Level percentage of pay, closed.

Remaining Amortization Period 30 Years (as of 10/01/2016).

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.

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%

*Data before 2013 is not available.

City of Tavares, Florida
Required Supplementary Information
Schedule of Investment Returns - Police Officers' Pension Plan
September 30, 2018

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<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	7.12%	11.04%	10.01%	-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, 2018

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Total Pension Liability						
Service Cost	\$ 351,953	\$ 336,031	\$ 324,286	\$ 313,761	\$ 286,443	\$ 265,225
Interest	599,269	567,666	539,741	511,187	463,813	419,539
Change in Excess State Money	-	-	(32,559)	4,976	6,494	-
Share Plan Allocation	1,082	-	32,661	-	-	-
Changes of Benefit Terms	(368)	-	-	-	-	-
Differences Between Expected and Actual Experience	(93,474)	(314,456)	(387,399)	(289,327)	-	-
Changes of Assumptions	136,385	-	(11,965)	-	-	-
Benefit Payments, including refunds of employee contributions	(206,135)	(213,393)	(171,739)	(206,685)	(164,118)	(140,990)
Net Change in Total Pension Liability	788,712	375,848	293,026	333,912	592,632	543,774
Total Pension Liability - beginning	7,242,343	6,866,495	6,573,469	6,239,557	5,646,925	5,103,151
Total Pension Liability - ending (a)	<u>\$ 8,031,055</u>	<u>\$ 7,242,343</u>	<u>\$ 6,866,495</u>	<u>\$ 6,573,469</u>	<u>\$ 6,239,557</u>	<u>\$ 5,646,925</u>
Plan Fiduciary Net Position						
Contributions - employer	223,986	352,971	297,809	300,743	304,533	259,897
Contributions - state	165,082	-	82,530	82,591	84,109	82,682
Contributions - employee	56,084	54,347	52,740	47,264	46,734	44,127
Net Investment Income	512,617	685,557	529,431	(110,340)	480,285	475,192
Benefit Payments, Including Refunds of Employee Contributions	(206,135)	(213,393)	(171,739)	(206,685)	(164,118)	(140,990)
Administrative Expense	(39,643)	(32,587)	(46,207)	(15,428)	(19,264)	(21,244)
Net Change in Plan Fiduciary Net Position	711,991	846,895	744,564	98,145	732,279	699,664
Plan Fiduciary Net Position - beginning	7,065,397	6,218,502	5,473,938	5,375,793	4,643,514	3,943,850
Plan Fiduciary Net Position - ending (b)	<u>\$ 7,777,388</u>	<u>\$ 7,065,397</u>	<u>\$ 6,218,502</u>	<u>\$ 5,473,938</u>	<u>\$ 5,375,793</u>	<u>\$ 4,643,514</u>
Net Pension Liability - ending (a) - (b)	<u>\$ 253,667</u>	<u>\$ 176,946</u>	<u>\$ 647,993</u>	<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	96.84%	97.56%	90.56%	83.27%	86.16%	82.23%
Covered Payroll*	\$ 1,625,409	\$ 1,522,581	\$ 1,505,477	\$ 1,350,400	\$ 1,335,248	\$ 1,260,784
Net Pension Liability as a Percentage of Covered Payroll	15.61%	11.62%	43.04%	81.42%	64.69%	79.59%

*The Covered payroll figures shown are in compliance with GASB 82.

For measurement date 9/30/18, amounts reported as changes of benefits resulted from Ordinance 2019-09, adopted and effective March 20, 2019, amended the plan for a reduction in the member contribution rate.

For measurement date 9/30/18, amounts reported as changes of assumptions reflected the results of the September 20, 2018 experience study.

For measurement date 9/30/16, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3.00% to 2.70% matching the long-term inflation assumption used by the Plan's investment consultant.

*Data before 2013 is not available.

City of Tavares, Florida
Required Supplementary Information
Schedule of City Contributions - Firefighters' Pension Plan
September 30, 2018

Fiscal year ended	Contributions in Relation to the					Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll		
9/30/2018	\$ 387,985	\$ 387,985	\$ -	\$ 1,625,409		23.87%
9/30/2017	\$ 362,831	\$ 352,971	\$ 9,860	\$ 1,522,581		23.18%
9/30/2016	\$ 380,886	\$ 380,238	\$ 648	\$ 1,505,477		25.26%
9/30/2015	\$ 367,851	\$ 378,358	\$ (10,507)	\$ 1,350,400		28.02%
9/30/2014	\$ 382,148	\$ 382,148	\$ -	\$ 1,335,248		28.62%
9/30/2013	\$ 337,512	\$ 337,512	\$ -	\$ 1,260,784		26.77%

Notes to Schedule

Valuation Date 10/1/2016

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:

Mortality - Healthy Lives	Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB
Mortality - Disabled Lives	Female: 60% RP2000 Disabled Female set forward two years/40% Annuitant White Collar with no setback, no projection scale Male: 60% RP2000 Disabled Male set back four years/40% Annuitant White Collar with no setback, no projection scale
Interest Rate	8.0% per year, compounded annually net of investment related expenses.
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.
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.
Salary Increases	7.5% until the assumed retirement age.
Payroll Growth	3.0% per year for amortization of the Unfunded Actuarial Liability.
Funding Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level percentage of pay, closed.
Remaining Amortization Method	30 years (as of 10/1/16)
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.
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%

*Data before 2013 is not available.

City of Tavares, Florida
Required Supplementary Information
Schedule of Investment Returns - Firefighters' Pension Plan
September 30, 2018

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<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	7.20%	10.93%	9.57%	-2.03%	10.20%	11.72%

*Data before 2013 is not available.

Florida Retirement System - Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.01652%	0.01780%	0.01669%	0.01650%	0.01544%
City's Proportionate Share of the Net Pension Liability	\$ 4,976,723	\$ 5,264,474	\$ 4,215,442	\$ 2,131,717	\$ 941,921
City's Covered Payroll	\$ 5,014,543	\$ 5,298,689	\$ 4,692,871	\$ 4,238,289	\$ 4,077,392
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	99.25%	99.35%	89.83%	50.30%	23.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%

Health Insurance Subsidy - Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.01733%	0.01813%	0.01667%	0.01580%	0.01542%
City's Proportionate Share of the Net Pension Liability	\$ 1,834,652	\$ 1,938,238	\$ 1,943,183	\$ 1,611,045	\$ 1,441,348
City's Covered Payroll	\$ 5,014,543	\$ 5,298,689	\$ 4,692,871	\$ 4,238,289	\$ 4,077,392
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	36.59%	36.58%	41.41%	38.01%	35.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%

* Data before 2015 is not available.

City of Tavares, Florida
Required Supplementary Information
Schedule of City's Contributions - Florida Retirement System
September 30, 2018

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 473,561	\$ 453,154	\$ 418,590	\$ 406,224
Contributions in Relation to the Contractually Required Contributions	<u>473,561</u>	<u>453,154</u>	<u>418,590</u>	<u>406,224</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 4,956,870	\$ 5,178,393	\$ 4,778,396	\$ 4,376,506
Contributions as a Percentage of Covered Payroll	9.55%	8.75%	8.76%	9.28%

Health Insurance Subsidy - Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 93,362	\$ 94,130	\$ 86,570	\$ 67,437
Contributions in Relation to the Contractually Required Contributions	<u>93,362</u>	<u>94,130</u>	<u>86,570</u>	<u>67,437</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 4,956,870	\$ 5,178,393	\$ 4,778,396	\$ 4,376,506
Contributions as a Percentage of Covered-employee Payroll	1.88%	1.82%	1.81%	1.54%

* Data before 2015 is not available.



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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**



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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

- Police Training Fund** - Accounts for revenues received pursuant to Chapter 943.25, Florida Statutes. Funds must be used to educate and train law enforcement personnel.
- Police Services Impact Fund** - 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 Fund** - 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 Fund** - Accounts for revenues derived from confiscated property which are used for law enforcement purposes.
- Parks and Recreation Impacts Fund** - Accounts for Parks and Recreation Impact fees collected and disbursements made for the purpose of acquisition of facilities and equipment determined to be needed to provide parks and recreation services for new development within the City
- Grant Fund** - Accounts for the expenditure of grant funds awarded by agencies of the Federal and State governments.
- Fire Assessment Fund** - Accounts 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.
- Flag Pole Fund** - Accounts for expenditures related to maintenance of the City's flag pole monument.

Debt Service Funds

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

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).

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, 2018

	Special Revenue						
	Police Training	Grant Fund	Police Services Impacts	Fire/Rescue Services Impacts	Police Forfeitures	Parks & Recreation Impacts	
Assets:							
Cash and cash equivalents	\$ 8,697	\$ 36,367	\$ 266,188	\$ 481,125	\$ 24,454	\$ 258,391	
Investments	-	-	774	-	-	-	
Receivables, net	-	-	-	-	-	-	
Due from other governments	-	963,534	-	-	-	-	
Total assets	\$ 8,697	\$ 999,901	\$ 266,962	\$ 481,125	\$ 24,454	\$ 258,391	
Liabilities and Fund Balances:							
Accounts payable	\$ -	\$ 424,548	\$ -	\$ -	\$ 12,929	\$ 2,869	
Retainage payable	-	34,989	-	-	-	-	
Due to other funds	-	528,002	-	-	-	-	
Unearned revenue	-	3,667	-	-	-	-	
Matured bonds payable	-	-	-	-	-	-	
Matured interest payable	-	-	-	-	-	-	
Total liabilities	-	991,206	-	-	12,929	2,869	
Fund Balances:							
Nonspendable	-	-	-	-	-	-	
Restricted	8,697	8,695	266,962	481,125	11,525	255,522	
Unassigned	-	-	-	-	-	-	
Total fund balances	8,697	8,695	266,962	481,125	11,525	255,522	
Total liabilities and fund balances	\$ 8,697	\$ 999,901	\$ 266,962	\$ 481,125	\$ 24,454	\$ 258,391	

Fire Assessment Fund	Special Revenue					Permanent Funds					Total Other Governmental Funds
	Flag Pole Fund	Total Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Playground Fund	Library Building Fund	Total Permanent Funds	Permanent Funds			
								Library Building Fund	Total Permanent Funds		
\$ 595,297	\$ 13,032	\$ 1,683,551	\$ 450,256	\$ 1,153,462	\$ 18,034	\$ 12,241	\$ 30,275	\$ 18,034	\$ 12,241	\$ 3,317,544	
-	-	774	26,184	-	15,376	11,024	26,400	-	-	53,358	
184,183	-	184,183	-	-	-	-	-	-	-	184,183	
-	-	963,534	-	-	-	-	-	-	-	963,534	
\$ 779,480	\$ 13,032	\$ 2,832,042	\$ 476,440	\$ 1,153,462	\$ 33,410	\$ 23,265	\$ 56,675	\$ 33,410	\$ 23,265	\$ 4,518,619	
\$ -	\$ -	\$ 440,346	\$ -	\$ 202,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 643,023	
-	-	34,989	-	3,277	-	-	-	-	-	38,266	
428,240	-	956,242	-	1,420,922	-	-	-	-	-	2,377,164	
-	-	3,667	-	-	-	20,926	20,926	-	-	24,593	
-	-	-	100,850	-	-	-	-	-	-	100,850	
-	-	-	18,732	-	-	-	-	-	-	18,732	
428,240	-	1,435,244	119,582	1,626,876	-	20,926	20,926	-	-	3,202,628	
-	-	-	-	-	29,295	-	29,295	29,295	-	29,295	
351,240	13,032	1,396,798	356,858	-	4,115	2,339	6,454	4,115	2,339	1,760,110	
-	-	-	-	(473,414)	-	-	-	-	-	(473,414)	
351,240	13,032	1,396,798	356,858	(473,414)	33,410	2,339	35,749	33,410	2,339	1,315,991	
\$ 779,480	\$ 13,032	\$ 2,832,042	\$ 476,440	\$ 1,153,462	\$ 33,410	\$ 23,265	\$ 56,675	\$ 33,410	\$ 23,265	\$ 4,518,619	

City of Tavares, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2018

	Special Revenue						
	Police Training	Grant Fund	Police Services Impacts	Fire/Rescue Services Impacts	Police Forfeitures	Parks & Recreation Impacts	
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	1,060,941	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Charges for services	-	-	39,546	73,958	-	-	37,908
Fines and forfeitures	1,640	-	-	-	15,597	-	-
Investment income	-	-	14	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	1,640	1,060,941	39,560	73,958	15,597	37,908	
Expenditures:							
Current:							
Public safety	-	37,334	-	-	9,179	-	-
Physical environment	-	962,587	-	-	-	-	-
Economic environment	-	6,000	-	-	-	-	-
Culture and recreation	-	56,614	-	-	-	-	20,966
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	-	1,062,535	-	-	9,179	20,966	
Excess (deficiency) of revenues over expenditures	1,640	(1,594)	39,560	73,958	6,418	16,942	
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing Sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	1,640	(1,594)	39,560	73,958	6,418	16,942	
Fund balances, beginning	7,057	10,289	227,402	407,167	5,107	238,580	
Fund balances, ending	\$ 8,697	\$ 8,695	\$ 266,962	\$ 481,125	\$ 11,525	\$ 255,522	

Fire Assessment Fund	Special Revenue			Permanent Funds						Total Other Governmental Funds
	Flag Pole Fund	Total Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Playground Fund	Library Building Fund	Total Permanent Funds		
\$ -	\$ -	\$ -	\$ 237,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 237,852
-	-	1,060,941	-	-	-	-	-	-	-	1,060,941
1,708,453	-	1,708,453	-	-	-	-	-	-	-	1,708,453
-	-	151,412	-	-	-	-	-	-	-	151,412
-	-	17,237	-	-	-	-	-	-	-	17,237
-	-	14	493	-	-	289	207	496	-	1,003
-	-	-	-	661,604	-	-	-	-	-	661,604
1,708,453	-	2,938,057	238,345	661,604	207	289	207	496	-	3,838,502
-	-	46,513	-	-	-	-	-	-	-	46,513
-	949	963,536	-	-	-	-	-	-	-	963,536
-	-	6,000	-	-	-	-	-	-	-	6,000
-	-	77,580	-	202,677	-	-	-	-	-	280,257
-	-	-	896,928	-	-	-	-	-	-	896,928
-	-	-	235,483	-	-	-	-	-	-	235,483
-	949	1,093,629	1,132,411	202,677	-	-	-	-	-	2,428,717
1,708,453	(949)	1,844,428	(894,066)	458,927	207	289	207	496	-	1,409,785
(1,612,592)	-	(1,612,592)	806,493	-	-	-	-	-	-	806,493
(1,612,592)	-	(1,612,592)	-	-	-	-	-	-	-	(1,612,592)
95,861	(949)	231,836	(87,573)	458,927	207	289	207	496	-	603,686
255,379	13,981	1,164,962	444,431	(932,341)	2,132	33,121	2,132	35,253	-	712,305
\$ 351,240	\$ 13,032	\$ 1,396,798	\$ 356,858	\$ (473,414)	\$ 2,339	\$ 33,410	\$ 2,339	\$ 35,749	\$	\$ 1,315,991

Police Training Special Revenue - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 1,650	\$ 1,650	\$ 1,640	\$ (10)
Total revenues	<u>1,650</u>	<u>1,650</u>	<u>1,640</u>	<u>(10)</u>
Expenditures:				
Current:				
Public Safety	4,500	3,500	-	3,500
Total Expenditures	<u>4,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
 Excess (deficiency) of revenues over expenditures	<u>(2,850)</u>	<u>(1,850)</u>	<u>1,640</u>	<u>3,490</u>
 Net change in fund balances	<u>(2,850)</u>	<u>(1,850)</u>	<u>1,640</u>	<u>3,490</u>
 Fund balances, beginning	<u>7,057</u>	<u>7,057</u>	<u>7,057</u>	<u>-</u>
 Fund balances, ending	<u>\$ 4,207</u>	<u>\$ 5,207</u>	<u>\$ 8,697</u>	<u>\$ 3,490</u>

Grant Fund - Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 590,513	\$ 1,439,673	\$ 1,060,941	\$ (378,732)
Total revenues	<u>590,513</u>	<u>1,439,673</u>	<u>1,060,941</u>	<u>(378,732)</u>
Expenditures:				
Current:				
Public Safety	59,938	43,634	37,334	6,300
Physical environment	190,000	1,640,817	962,587	678,230
Economic Environment	-	6,000	6,000	-
Culture and recreation	340,575	119,565	56,614	62,951
Total Expenditures	<u>590,513</u>	<u>1,810,016</u>	<u>1,062,535</u>	<u>747,481</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(370,343)</u>	<u>(1,594)</u>	<u>368,749</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(370,343)</u>	<u>(1,594)</u>	<u>368,749</u>
Fund balances, beginning	<u>10,289</u>	<u>10,289</u>	<u>10,289</u>	<u>-</u>
Fund balances, ending	<u>\$ 10,289</u>	<u>\$ (360,054)</u>	<u>\$ 8,695</u>	<u>\$ 368,749</u>

Police Services Impacts Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Impact fees/special assessments	\$ 84,385	\$ 39,546	\$ 39,546	\$ -
Investment income	-	-	14	14
Total revenues	84,385	39,546	39,560	14
Expenditures:				
Current:				
Public Safety	-	227,400	-	227,400
Total Expenditures	-	227,400	-	227,400
Excess (deficiency) of revenues over expenditures	84,385	(187,854)	39,560	227,414
Net change in fund balances	84,385	(187,854)	39,560	227,414
Fund balances, beginning	227,402	227,402	227,402	-
Fund balances, ending	\$ 311,787	\$ 39,548	\$ 266,962	\$ 227,414

**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, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Impact fees/special assessments	\$ 105,059	\$ 73,958	\$ 73,958	\$ -
Total revenues	<u>105,059</u>	<u>73,958</u>	<u>73,958</u>	<u>-</u>
Expenditures:				
Current:				
Public Safety	-	407,166	-	407,166
Total Expenditures	-	407,166	-	407,166
Excess (deficiency) of revenues over expenditures	<u>105,059</u>	<u>(333,208)</u>	<u>73,958</u>	<u>407,166</u>
Net change in fund balances	105,059	(333,208)	73,958	407,166
Fund balances, beginning	<u>407,167</u>	<u>407,167</u>	<u>407,167</u>	<u>-</u>
Fund balances, ending	<u>\$ 512,226</u>	<u>\$ 73,959</u>	<u>\$ 481,125</u>	<u>\$ 407,166</u>

Police Forfeitures Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 15,597	\$ 15,597
Total revenues	<u>-</u>	<u>-</u>	<u>15,597</u>	<u>15,597</u>
Expenditures:				
Current:				
Public Safety	-	10,537	9,179	1,358
Total Expenditures	<u>-</u>	<u>10,537</u>	<u>9,179</u>	<u>1,358</u>
Net change in fund balances	-	(10,537)	6,418	16,955
Fund balances, beginning	<u>5,107</u>	<u>5,107</u>	<u>5,107</u>	<u>-</u>
Fund balances, ending	<u>\$ 5,107</u>	<u>\$ (5,430)</u>	<u>\$ 11,525</u>	<u>\$ 16,955</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 115,517	\$ 37,907	\$ 37,908	\$ 1
Total revenues	<u>115,517</u>	<u>37,907</u>	<u>37,908</u>	<u>1</u>
Expenditures:				
Current:				
Culture and recreation	84,000	208,957	20,966	187,991
Total Expenditures	<u>84,000</u>	<u>208,957</u>	<u>20,966</u>	<u>187,991</u>
Net change in fund balances	31,517	(171,050)	16,942	187,992
Fund balances, beginning	<u>238,580</u>	<u>238,580</u>	<u>238,580</u>	<u>-</u>
Fund balances, ending	<u>\$ 270,097</u>	<u>\$ 67,530</u>	<u>\$ 255,522</u>	<u>\$ 187,992</u>

Fire Assessment Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ 1,702,111	\$ 1,702,111	\$ 1,708,453	\$ 6,342
Total revenues	<u>1,702,111</u>	<u>1,702,111</u>	<u>1,708,453</u>	<u>6,342</u>
Excess (deficiency) of revenues over expenditures	<u>1,702,111</u>	<u>1,702,111</u>	<u>1,708,453</u>	<u>6,342</u>
Other Financing Sources (Uses)				
Transfers out	(1,702,111)	(1,702,111)	(1,612,592)	89,519
Total other financing sources and uses	<u>(1,702,111)</u>	<u>(1,702,111)</u>	<u>(1,612,592)</u>	<u>89,519</u>
Net change in fund balances	-	-	95,861	95,861
Fund balances, beginning	<u>255,379</u>	<u>255,379</u>	<u>255,379</u>	<u>-</u>
Fund balances, ending	<u>\$ 255,379</u>	<u>\$ 255,379</u>	<u>\$ 351,240</u>	<u>\$ 95,861</u>

Flag Pole Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
Physical environment	7,208	6,772	949	5,823
Total Expenditures	<u>7,208</u>	<u>6,772</u>	<u>949</u>	<u>5,823</u>
Net change in fund balances	(7,208)	(6,772)	(949)	5,823
Fund balances, beginning	<u>13,981</u>	<u>13,981</u>	<u>13,981</u>	<u>-</u>
Fund balances, ending	<u>\$ 6,773</u>	<u>\$ 7,209</u>	<u>\$ 13,032</u>	<u>\$ 5,823</u>

Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 272,160	\$ 272,160	\$ 237,852	\$ (34,308)
Investment income	-	-	493	493
Total revenues	<u>272,160</u>	<u>272,160</u>	<u>238,345</u>	<u>(33,815)</u>
Expenditures:				
Debt Service:				
Principal	904,178	893,615	896,928	(3,313)
Interest and other charges	253,098	242,536	235,483	7,053
Total Expenditures	<u>1,157,276</u>	<u>1,136,151</u>	<u>1,132,411</u>	<u>3,740</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(885,116)</u>	<u>(863,991)</u>	<u>(894,066)</u>	<u>(30,075)</u>
Other Financing Sources (Uses)				
Transfers in	885,179	864,054	806,493	(57,561)
Total other financing sources and uses	<u>885,179</u>	<u>864,054</u>	<u>806,493</u>	<u>(57,561)</u>
Net change in fund balances	63	63	(87,573)	(87,636)
Fund balances, beginning	<u>444,431</u>	<u>444,431</u>	<u>444,431</u>	<u>-</u>
Fund balances, ending	<u>\$ 444,494</u>	<u>\$ 444,494</u>	<u>\$ 356,858</u>	<u>\$ (87,636)</u>

Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 661,604	\$ 661,604
Total revenues	<u>-</u>	<u>-</u>	<u>661,604</u>	<u>661,604</u>
Expenditures:				
Current:				
Culture and recreation	-	1,909	202,677	(200,768)
Total Expenditures	<u>-</u>	<u>1,909</u>	<u>202,677</u>	<u>(200,768)</u>
Net change in fund balances	-	(1,909)	458,927	460,836
Fund balances, beginning	<u>(932,341)</u>	<u>(932,341)</u>	<u>(932,341)</u>	<u>-</u>
Fund balances, ending	<u>\$ (932,341)</u>	<u>\$ (934,250)</u>	<u>\$ (473,414)</u>	<u>\$ 460,836</u>

City of Tavares, Florida
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2018

	Pension Trust Funds		
	Police Officers	Firefighters	Totals
Assets:			
Cash and cash equivalents	\$ 73,523	\$ 107,622	\$ 181,145
Receivables:			
Employer and employee contributions	25,302	14,358	39,660
State contribution	105,058	84,493	189,551
Total receivables	130,360	98,851	229,211
Investments, at fair value:			
Mutual funds - fixed income	4,779,642	2,905,722	7,685,364
Mutual funds - equity	7,145,979	4,283,291	11,429,270
Common and collective funds - equity	674,216	366,241	1,040,457
Total Investments	12,599,837	7,555,254	20,155,091
Total assets	12,803,720	7,761,727	20,565,447
Liabilities:			
Accounts payable	-	3,975	3,975
Net Position:			
Net position restricted for pensions	\$ 12,803,720	\$ 7,757,752	\$ 20,561,472

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

For the Year Ended September 30, 2018

	Pension Trust Funds		
	Police Officers	Firefighters	Total Pension Funds
Additions:			
Contributions:			
Employer	\$ 338,283	\$ 275,893	\$ 614,176
Plan members	185,724	56,084	241,808
State	202,918	165,082	368,000
Total contributions	726,925	497,059	1,223,984
Investment income:			
Net increase (decrease) in fair value	489,155	311,147	800,302
Interest	389,920	227,033	616,953
Less: investment expense	(28,721)	(22,460)	(51,181)
Net investment income (loss)	850,354	515,720	1,366,074
Total additions	1,577,279	1,012,779	2,590,058
Deductions:			
Benefits/distributions	545,492	210,099	755,591
Administrative expenses	65,687	48,568	114,255
Total deductions	611,179	258,667	869,846
Change in net position	966,100	754,112	1,720,212
Net position, beginning	11,837,620	7,003,640	18,841,260
Net position, ending	\$ 12,803,720	\$ 7,757,752	\$ 20,561,472



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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	123

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			
	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$11,503,013	\$12,286,623	\$13,351,075	\$14,093,258
Restricted	559,256	378,453	1,415,179	895,131
Unrestricted	4,528,925	4,265,666	1,863,858	1,248,400
Total Government Activities Net Position	<u>\$16,591,194</u>	<u>\$16,930,742</u>	<u>\$16,630,112</u>	<u>\$16,236,789</u>
Business-type Activities				
Net investment in capital assets	\$13,570,146	\$15,382,496	\$17,448,142	\$16,899,453
Restricted	4,263,939	4,356,923	4,442,498	4,763,265
Unrestricted	10,986,019	10,646,671	9,036,191	9,136,698
Total Business-type Activities Net Position	<u>\$28,820,104</u>	<u>\$30,386,090</u>	<u>\$30,926,831</u>	<u>\$30,799,416</u>
Primary Government				
Net investment in capital assets	\$25,073,159	\$27,669,119	\$30,799,217	\$30,992,711
Restricted	4,823,195	4,735,376	5,857,677	5,658,396
Unrestricted	15,514,944	14,912,337	10,900,049	10,385,098
Total Primary Government Net Position	<u>\$45,411,298</u>	<u>\$47,316,832</u>	<u>\$47,556,943</u>	<u>\$47,036,205</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$14,032,686	\$16,498,925	\$19,011,685	\$21,019,429	\$23,166,805	\$ 26,424,663
800,365	1,223,655	1,276,753	1,406,022	1,853,166	1,780,710
1,630,371	(219,472)	(6,355,282)	(7,939,103)	(3,771,617)	(4,470,840)
<u>\$16,463,422</u>	<u>\$17,503,108</u>	<u>\$13,933,156</u>	<u>\$14,486,348</u>	<u>\$21,248,354</u>	<u>\$ 23,734,533</u>
\$18,123,311	\$18,478,622	\$19,175,272	\$20,238,689	\$22,642,480	\$ 22,259,502
5,209,216	5,910,482	6,253,305	6,665,410	5,050,404	4,618,956
8,125,750	9,705,339	10,066,710	11,041,872	14,622,565	16,879,433
<u>\$31,458,277</u>	<u>\$34,094,443</u>	<u>\$35,495,287</u>	<u>\$37,945,971</u>	<u>\$42,315,449</u>	<u>\$ 43,757,891</u>
\$32,155,997	\$34,977,547	\$38,186,957	\$41,258,118	\$45,809,285	\$ 48,684,165
6,009,581	7,134,137	7,530,058	8,071,432	6,903,570	6,399,666
9,756,121	9,485,867	3,711,428	3,102,769	10,850,948	12,408,593
<u>\$47,921,699</u>	<u>\$51,597,551</u>	<u>\$49,428,443</u>	<u>\$52,432,319</u>	<u>\$63,563,803</u>	<u>\$ 67,492,424</u>

CITY OF TAVARES, FLORIDA

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

(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General government	\$ 2,760,070	\$ 2,595,668	\$ 2,573,387	\$ 2,684,092	\$ 2,652,168	\$ 2,791,383	\$ 4,037,720	\$ 3,207,946	\$ 3,313,656	\$ 3,553,653
Public safety	5,967,840	5,384,407	5,578,560	5,607,008	5,644,118	5,731,360	5,812,508	6,133,272	6,353,989	6,478,044
Physical environment	2,099,378	2,082,370	1,910,497	1,973,762	1,932,092	2,266,877	2,228,153	2,536,316	2,529,855	3,001,665
Economic environment	421,225	374,745	418,481	298,767	1,187,237	1,711,442	510,033	404,606	363,765	465,482
Culture & recreation	2,447,157	2,147,376	2,240,794	2,174,924	2,252,677	2,394,261	1,816,003	3,253,170	3,544,566	3,429,245
Interest & other fiscal charges on long-term debt	565,029	527,574	486,329	506,674	462,912	416,484	381,845	490,199	677,979	777,174
Total Governmental Activities Expenses	14,260,699	13,112,140	13,208,048	13,245,227	14,131,204	15,311,807	14,786,262	16,025,509	16,783,810	17,705,263
Business-type Activities:										
Water & sewer	5,657,303	5,647,753	5,687,892	7,113,633	6,296,831	6,356,680	6,190,916	6,856,155	7,489,129	8,161,242
Sanitation	1,693,286	1,632,796	1,565,724	1,597,423	1,574,137	1,742,068	1,687,934	1,858,449	2,001,336	2,072,946
Stormwater	328,962	284,874	415,247	307,064	371,287	397,368	461,110	478,996	539,609	619,827
Seaplane Base	-	233,718	557,946	612,208	618,676	713,219	642,806	672,184	898,921	790,392
Total Business-type Activities Expenses	7,679,551	7,799,141	8,226,809	9,630,328	8,860,931	9,209,335	8,982,766	9,865,784	10,928,995	11,644,407
Total Primary Government Expenses	\$ 21,940,250	\$ 20,911,281	\$ 21,434,857	\$ 22,875,555	\$ 22,992,135	\$ 24,521,142	\$ 23,769,028	\$ 25,891,293	\$ 27,712,805	\$ 29,349,670
Program Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 58,531	\$ 27,751	\$ 41,094	\$ 52,894	\$ 196,043	\$ 59,912	\$ 22,969	\$ 48,191	\$ 46,507	\$ 50,995
Public safety	207,377	73,610	86,891	39,959	1,539,220	1,628,198	1,726,953	1,782,726	1,601,757	1,745,267
Physical environment	284,376	291,976	322,005	621,449	552,983	775,432	885,851	844,086	1,582,386	1,383,492
Economic environment	17,764	16,972	15,616	13,587	11,150	6,525	46,056	26,463	29,550	20,375
Culture & recreation	112,981	113,901	149,546	108,420	119,784	188,132	416,539	456,654	594,404	534,660
Operating grants and contributions	590,825	594,877	637,199	550,470	514,832	639,973	539,779	577,234	621,338	621,132
Capital grants and contributions	443,670	706,155	165,656	84,396	784,073	1,710,293	532,984	395,043	2,542,180	1,212,353
Total Governmental Activities Program Revenues	1,715,524	1,825,242	1,418,007	1,471,175	3,718,085	5,008,465	4,171,131	4,130,397	7,018,122	5,568,274

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type Activities:										
Charges for services:										
Water & Sewer	6,415,011	6,211,740	6,993,973	7,496,265	7,739,529	8,822,402	8,209,457	9,041,225	10,690,718	9,625,362
Solid Waste	2,198,501	2,310,764	2,390,044	2,491,083	2,587,497	2,672,040	2,746,477	2,863,205	2,948,456	3,035,617
Stormwater	457,742	513,257	525,369	537,093	661,120	797,195	964,612	1,128,802	1,206,254	1,369,766
Seaplane Base	-	104,303	273,256	289,383	301,130	341,514	310,651	294,207	314,345	165,974
Operating grants and contributions	-	432,765	213,389	317,439	432,765	191,588	6,412	-	-	17,199
Capital grants and contributions	796,124	1,751,379	963	3,384	62,437	473,635	851,788	748,619	1,987,157	575,074
Total Business-type Activities Program Revenues	<u>9,867,378</u>	<u>11,324,208</u>	<u>10,396,994</u>	<u>11,134,647</u>	<u>11,784,478</u>	<u>13,298,374</u>	<u>13,089,397</u>	<u>14,076,058</u>	<u>17,146,930</u>	<u>14,788,992</u>
Total Government Program Revenues	<u>\$ 11,582,902</u>	<u>\$ 13,149,450</u>	<u>\$ 11,815,001</u>	<u>\$ 12,605,822</u>	<u>\$ 15,502,563</u>	<u>\$ 18,306,839</u>	<u>\$ 17,260,528</u>	<u>\$ 18,206,455</u>	<u>\$ 24,165,052</u>	<u>\$ 20,357,266</u>
Net (Expense)/Revenue										
Governmental activities	\$(12,545,175)	\$(11,286,898)	\$(11,790,041)	\$(11,774,052)	\$(10,413,119)	\$(10,303,342)	\$(10,615,131)	\$(11,895,112)	\$(9,765,688)	\$(12,136,989)
Business-type activities	2,187,827	3,092,302	2,170,185	1,504,319	2,923,547	4,089,039	4,106,631	4,210,274	6,217,935	3,144,585
Total Government Net Expense	<u>\$(10,357,348)</u>	<u>\$(8,194,596)</u>	<u>\$(9,619,856)</u>	<u>\$(10,269,733)</u>	<u>\$(7,489,572)</u>	<u>\$(6,214,303)</u>	<u>\$(6,508,500)</u>	<u>\$(7,684,838)</u>	<u>\$(3,547,753)</u>	<u>\$(8,992,404)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 5,387,080	\$ 5,048,491	\$ 4,599,218	\$ 4,230,824	\$ 3,747,879	\$ 4,096,418	\$ 4,485,134	\$ 4,648,607	\$ 5,415,318	\$ 5,831,830
Franchise and utility taxes	2,632,956	2,850,432	2,815,717	2,762,429	2,858,876	3,005,572	2,944,299	3,057,287	3,094,953	3,241,864
Intergovernmental	1,942,101	1,938,597	2,230,871	2,595,655	2,253,771	2,388,459	2,586,042	2,743,544	2,911,302	3,256,119
Investment earnings and miscellaneous	167,850	180,471	130,853	116,209	167,118	221,333	148,756	215,247	272,627	367,133
Gain on insurance recovery	-	-	-	-	-	-	-	-	2,813,829	-
Transfers	1,772,718	1,608,455	1,712,752	1,675,612	1,612,108	1,631,246	1,701,403	1,783,619	2,019,665	2,118,193
Total Governmental Activities	<u>11,902,705</u>	<u>11,626,446</u>	<u>11,489,411</u>	<u>11,380,729</u>	<u>10,639,752</u>	<u>11,343,028</u>	<u>11,865,634</u>	<u>12,448,304</u>	<u>16,527,694</u>	<u>14,815,139</u>
Business-type Activities:										
Investment earnings	77,214	82,139	83,308	43,878	9,589	178,373	31,644	24,029	171,208	502,374
Transfers	(1,772,718)	(1,608,455)	(1,712,752)	(1,675,612)	(1,612,108)	(1,631,246)	(1,701,403)	(1,783,619)	(2,019,665)	(2,118,193)
Total Business-type Activities	<u>(1,695,504)</u>	<u>(1,526,316)</u>	<u>(1,629,444)</u>	<u>(1,631,734)</u>	<u>(1,602,519)</u>	<u>(1,452,873)</u>	<u>(1,669,759)</u>	<u>(1,759,590)</u>	<u>(1,848,457)</u>	<u>(1,615,819)</u>
Total Government	<u>\$ 10,207,201</u>	<u>\$ 10,100,130</u>	<u>\$ 9,859,967</u>	<u>\$ 9,748,995</u>	<u>\$ 9,037,233</u>	<u>\$ 9,890,155</u>	<u>\$ 10,195,875</u>	<u>\$ 10,688,714</u>	<u>\$ 14,679,237</u>	<u>\$ 13,199,320</u>
Change in Net Position										
Governmental Activities	\$ (642,470)	\$ 339,548	\$ (300,630)	\$ (393,323)	\$ 226,633	\$ 1,039,686	\$ 1,250,603	\$ 553,192	\$ 6,762,006	\$ 2,678,150
Business-type Activities	492,323	1,565,986	540,741	(127,415)	1,321,028	2,636,166	2,436,772	2,450,684	4,369,478	1,528,766
Total Government	<u>\$(150,147)</u>	<u>\$ 1,905,534</u>	<u>\$ 240,111</u>	<u>\$(520,738)</u>	<u>\$ 1,547,661</u>	<u>\$ 3,675,852</u>	<u>\$ 3,687,375</u>	<u>\$ 3,003,876</u>	<u>\$ 11,131,484</u>	<u>\$ 4,206,916</u>



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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
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	7,270,329
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
2016	4,648,607	1,070,096	1,987,191	7,705,894
2017	4,938,955	1,075,406	2,019,548	8,033,909
2018	5,831,831	1,147,806	2,094,056	9,073,693

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			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 4,765	\$ 4,291	n/a	n/a
Unreserved	1,979,038	2,256,860	n/a	n/a
Total General Fund	<u>\$ 1,983,803</u>	<u>\$ 2,261,151</u>	<u>\$ -</u>	<u>\$ -</u>

All Other Governmental Funds				
Reserved	\$ 437,473	\$ 284,095	n/a	n/a
Unreserved, reported in:			n/a	n/a
Special revenue funds	2,641,910	2,021,372	n/a	n/a
Capital projects funds	7,057,211	2,267,904	n/a	n/a
Permanent funds	1,612	1,643	n/a	n/a
Total All Other Governmental Funds	<u>\$ 10,138,206</u>	<u>\$ 4,575,014</u>	<u>\$ -</u>	<u>\$ -</u>

	Post GASB 54 2011	Post GASB 54 2012
General Fund		
Nonspendable	\$ 265,386	\$ 318,063
Restricted	-	-
Assigned	244,875	-
Unassigned	1,475,998	1,056,371
Total general fund	<u>\$ 1,986,259</u>	<u>\$ 1,374,434</u>

All Other Governmental Funds		
Nonspendable	\$ 29,570	\$ 29,570
Restricted	3,174,339	3,205,475
Committed	147,081	-
Assigned	-	-
Unassigned	-	-
Total all other governmental funds	<u>\$ 3,350,990</u>	<u>\$ 3,235,045</u>

Fiscal Year

2012	2013	2014	2015	2016	2017
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Post GASB 54 2013	Post GASB 54 2014	Post GASB 54 2015	Post GASB 54 2016	Post GASB 54 2017	Post GASB 54 2018
\$ 537,904	\$ 540,551	\$ 646,823	\$ 60,791	\$ 62,598	\$ 62,598
-	-	-	910,596	-	-
112,624	-	-	-	-	-
574,823	645,630	396,676	562,346	1,292,300	1,292,300
\$ 1,225,351	\$ 1,186,181	\$ 1,043,499	\$ 1,533,733	\$ 1,354,898	\$ 1,354,898

\$ 567,199	\$ 569,846	\$ 676,118	\$ 90,086	\$ 29,295	\$ 29,295
3,533,635	1,194,360	1,247,458	13,378,976	13,363,104	1,605,062
-	-	-	-	-	-
112,624	-	-	-	-	-
574,523	(957,583)	(2,367,330)	(2,435,536)	(3,486,308)	(3,913,811)
\$ 4,787,981	\$ 806,623	\$ (443,754)	\$ 11,033,526	\$ 9,906,091	\$ (2,279,454)

CITY OF TAVARES, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
<u>Revenues</u>				
Taxes	\$ 8,020,036	\$ 7,898,924	\$ 7,414,935	\$ 6,993,253
Licenses and Permits	326,424	333,696	366,984	666,440
Intergovernmental	2,976,596	3,239,627	3,033,726	3,230,521
Charges for Services	142,389	102,559	154,119	122,236
Fines and Forfeitures	61,931	61,092	94,049	47,633
Impact Fees/Assessments	150,285	26,864	-	-
Investment Earnings	48,503	62,727	26,596	29,079
Miscellaneous	119,347	117,744	104,257	87,130
Total Revenues	<u>11,845,511</u>	<u>11,843,233</u>	<u>11,194,666</u>	<u>11,176,292</u>
<u>Expenditures</u>				
General Government	2,622,842	2,486,462	2,452,401	2,581,504
Public Safety	5,565,968	5,106,502	5,555,549	5,319,872
Physical Environment	2,431,626	2,616,081	1,983,795	1,931,000
Economic Environment	424,454	373,808	413,677	292,110
Culture & Recreation	3,877,686	6,534,385	2,382,151	2,241,657
Capital Outlay ¹	-	-	-	2,908,290
Debt Service				
Principal	845,963	1,090,935	1,130,581	7,757,136
Interest and fiscal charges	565,029	529,359	488,180	510,966
Total expenditures	<u>16,333,568</u>	<u>18,737,532</u>	<u>14,406,334</u>	<u>23,542,535</u>
Excess of Revenues Over (Under) Expenditure	(4,488,057)	(6,894,299)	(3,211,668)	(12,366,243)
<u>Other Financing Sources (Uses)</u>				
Issuance of Bonds and Notes	-	-	-	9,830,000
Capital Lease Proceeds	-	-	-	132,861
Transfers In	2,344,891	2,032,372	2,275,150	5,587,172
Transfers Out	(572,173)	(423,917)	(562,398)	(3,911,560)
Total Other Financing Sources (Uses)	<u>1,772,718</u>	<u>1,608,455</u>	<u>1,712,752</u>	<u>11,638,473</u>
Net Change in Fund Balances	<u>\$ (2,715,339)</u>	<u>\$ (5,285,844)</u>	<u>\$ (1,498,916)</u>	<u>\$ (727,770)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>10.42%</u>	<u>12.92%</u>	<u>15.80%</u>	<u>42.00%</u>

Note:

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 6,245,728	\$ 7,101,990	\$ 7,429,433	\$ 7,705,894	\$ 8,510,271	\$ 9,073,694
598,465	810,072	914,903	883,388	1,602,768	1,426,190
1,609,419	4,738,725	3,658,805	3,715,821	5,629,971	4,938,192
257,096	1,807,454	576,344	1,600,939	1,578,475	1,708,453
31,236	40,673	48,845	637,118	1,090,309	710,156
-	-	1,558,276	36,675	27,901	41,402
2,345	7,290	10,638	9,153	53,242	53,875
139,638	214,043	138,118	206,094	219,385	974,862
<u>8,883,927</u>	<u>14,720,247</u>	<u>14,335,362</u>	<u>14,795,082</u>	<u>18,712,322</u>	<u>18,926,824</u>
2,513,661	2,686,306	2,926,983	3,165,242	3,010,357	3,398,650
5,608,773	6,272,625	5,736,338	6,589,567	6,529,349	11,065,795
1,716,197	1,743,596	2,351,901	2,505,055	5,313,210	4,073,687
945,145	1,706,500	536,766	409,491	321,964	421,221
2,252,865	2,287,092	2,698,589	3,241,913	3,637,088	3,019,183
-	4,438,507	1,207,915	-	-	-
-	-	-	-	-	-
1,092,814	1,244,506	1,443,533	1,485,227	1,010,009	3,734,928
446,526	418,679	385,217	479,926	682,547	759,463
-	-	-	-	-	-
<u>14,575,981</u>	<u>20,797,811</u>	<u>17,287,242</u>	<u>17,876,421</u>	<u>20,504,524</u>	<u>26,472,927</u>
(5,692,054)	(6,077,564)	(2,951,880)	(3,081,339)	(1,792,202)	(7,546,103)
2,750,000	-	-	12,775,000	-	5,484,000
-	464,960	-	-	-	-
6,420,880	3,835,724	6,446,403	4,407,833	4,702,584	5,125,471
<u>(4,808,772)</u>	<u>(2,204,478)</u>	<u>(4,744,900)</u>	<u>(2,624,214)</u>	<u>(2,682,919)</u>	<u>(3,007,278)</u>
<u>4,362,108</u>	<u>2,096,206</u>	<u>1,701,503</u>	<u>14,558,619</u>	<u>2,019,665</u>	<u>7,602,193</u>
<u>\$ (1,329,946)</u>	<u>\$ (3,981,358)</u>	<u>\$ (1,250,377)</u>	<u>\$11,477,280</u>	<u>\$ 227,463</u>	<u>\$ 56,090</u>
<u>18.25%</u>	<u>10.82%</u>	<u>12.18%</u>	<u>12.43%</u>	<u>10.60%</u>	<u>23.01%</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
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%
2016	675,210,640	446,989,444	66.20%	180,281,241	26.70%
2017	732,019,797	495,577,403	67.70%	185,933,028	25.40%
2018	808,059,254	551,096,411	68.20%	202,014,814	25.00%

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>
\$ 14,306,696	\$ 218,101,130	\$ 869,300,751	5.4200	\$ 869,300,751	100%
48,090,004	\$ 151,848,139	810,116,659	6.2500	810,116,659	100%
147,000,980	\$ 182,149,234	676,263,560	6.9500	676,263,560	100%
40,657,563	294,384,352	625,512,364	6.8900	625,512,364	100%
50,236,989	363,111,842	592,010,315	5.9850	592,010,315	100%
52,128,871	367,031,678	557,552,784	6.4531	557,552,784	100%
43,832,222	404,380,311	635,249,590	6.7283	635,249,590	100%
47,939,955	576,550,310	675,210,640	6.8900	675,210,640	100%
50,509,366	346,311,142	732,019,797	7.1000	732,019,797	100%
58,988,326	528,449,845	812,099,551	7.0000	812,099,551	100%

CITY OF TAVARES, FLORIDA

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

Fiscal Year	Direct City of Tavares Operating Millage	City of Tavares Debt Service Millage	Overlapping Rates										Total Direct & Overlapping Rates
			Lake County				Lake County School District			Independent Hospital District	Lake County Water Authority	St. John's Water Management District	
			Operating Millage	Debt Service Millage	MSTU ³	Total County Millage	Operating Millage	Capital Outlay	Total School Millage				
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
2016	6.6166	0.4068	5.3051	0.1600	1.4290	6.8941	5.6970	1.5000	7.1970	1.0000	0.2554	0.3023	22.6722
2017	7.1000	0.4068	5.1180	0.1524	1.4290	6.6994	4.6270	2.2480	6.8750	1.0000	0.2554	0.2885	22.6251
2018	7.0000	0.3397	5.1180	0.1524	0.9661	6.2365	5.1030	1.5000	6.6030	1.0000	0.2554	0.2724	21.7070

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, 2018

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lakeview Crest LLC	\$10,664,063	1	1.68%			
Sumter Electric Co-op Inc	8,171,960	2	1.29%			
Tavares Crossroads, LLP	5,904,783	3	0.93%			
Cole KO Tavares FL LLC	4,909,552	4	0.77%			
Embarq-Florida Inc	4,793,152	5	0.75%			
Publix Super Markets Inc	4,654,443	6	0.73%			
GWS Tool LLC	4,373,759	7	0.69%			
Duke Energy Florida LLC	4,221,296	8	0.66%			
Florida Hospital/Waterman INC	4,167,507	9	0.66%			
Lake Point Senior Apartment LP	3,322,067	10	0.52%			
Stag III Tavares, LLC				\$13,451,261	1	1.64%
Rainbridge LLC				3,185,281	2	0.39%
Tarmac America LLC				3,135,077	3	0.38%
Sunshine State Christian Homes				2,674,582	4	0.33%
Lake Point Senior Apartment LP				2,626,625	5	0.32%
Ventas Realty LP				2,243,001	6	0.27%
Waterman Center LLC				2,229,383	7	0.27%
Gary Star Investments Inc				1,766,917	8	0.22%
Lake Warehouse & Storage Tavares LLC				1,618,871	9	0.20%
Tavares Associates Inc				1,531,597	10	0.19%
Totals	<u>\$ 55,182,582</u>		<u>8.68%</u>	<u>\$ 34,462,595</u>		<u>4.21%</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
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%
2016	4,463,583	4,198,281	94.06%	105,651	4,303,932	96.42%
2017	5,187,341	5,008,126	96.55%	6,377	5,014,503	96.67%
2018	5,656,415	5,241,329	92.66%	98,496	5,339,825	94.40%

Note: Excludes Voted Debt Service Levy; includes TIF Collections

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	Notes Payable	Capital Leases	Water Revenue Bonds	Notes Payable	Capital Lease			
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%	2,258
2011	-	11,381,000	42,480	4,930,000	13,695,958	-	30,049,438	7.99%	2,144
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%	2,709
2014	-	14,439,750	67,909	6,665,000	26,107,432	457,319	47,737,410	8.75%	3,274
2015	-	13,023,005	41,121	6,325,000	29,657,665	362,356	49,409,147	8.66%	3,271
2016	-	24,339,565	14,334	5,975,000	30,044,975	265,587	60,639,461	10.06%	3,791
2017	-	23,343,890	-	5,620,000	30,124,770	166,980	59,255,640	8.56%	3,704
2018	-	25,092,962	-	5,255,000	34,812,740	66,499	65,227,201	9.42%	3,997

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.

CITY OF TAVARES, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Governmental Activities						
Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita	
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	3,300,000	45,285	3,254,715	0.52%	232	
2013	3,123,000	80,981	3,042,019	0.51%	216	
2014	2,938,000	45,326	2,892,674	0.52%	203	
2015	2,747,000	36,918	2,710,082	0.43%	179	
2016	2,551,000	36,490	2,514,510	0.37%	157	
2017	2,350,000	36,490	2,313,510	0.32%	142	
2018	2,143,000	36,491	2,106,509	0.26%	139	

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements

CITY OF TAVARES, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2018

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	\$ 18,330,000	2.79%	\$ 511,407
Subtotal, overlapping debt			
Direct Debt:			
Governmental activities debt	2,143,000	100%	2,143,000
Total direct and overlapping debt	<u><u>\$ 20,473,000</u></u>		<u><u>\$ 2,654,407</u></u>

Sources:

Lake County Property Appraiser's Office
 Lake County Finance Department
 Lake County School Board

Notes:

1. Ratio of assessed valuation of taxable property in overlapping unit to that within the City of Tavares

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	
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
2016	9,789,844	4,134,075	5,655,769	1,555,284	363,936	1,919,220	2.95
2017	11,502,519	4,896,380	6,606,139	1,861,610	474,259	2,335,869	2.83
2018	10,506,041	5,141,480	5,364,561	1,377,168	490,262	1,867,430	2.87

Notes:

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

CITY OF TAVARES, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (amounts expressed in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
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%
2016	15,996	603,017	37,698	46.1	10.30	42,414	4.6%
2017	16,317	692,086	42,415	54.9	13.40	42,414	3.4%
2018	15,106	**	**	**	**	43,174	2.9%

Sources:

1. Per Capital Income: City-Data.com (2013, 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	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake County Public Schools ³	5,600	1	16.00%	5,446	1	12.44%
Florida Hospital Waterman ³	1,760	2	5.03%	1,556	2	4.00%
Cornerstone Hospice ³	877	3	1.34%	468	5	1.34%
Lake County Board of County Commissioners ³	767	4	2.19%	875	4	2.08%
Lake County Sheriff's Office ³	695	5	1.99%	766	3	2.47%
G&T Conveyor ⁵	**	**	**	300	6	0.86%
Lake County Clerk of Court ⁴	180	6	0.51%	244	7	0.65%
Sunstate Carriers	176	7	0.50%	177	9	0.48%
City of Tavares	170	8	0.49%	**	8	**
Publix ⁴	142	9	0.41%	139	**	0.40%
Winn-Dixie ⁴	99	10	0.28%	**	**	**
Lake County Tax Collector ⁴	**	**	**	66	10	0.18%
Total	10,466		28.74%	10,037		24.89%

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
3. Metro Orlando Economic Development Commission
4. FY 2017 - Most Recent Data Available
5. City of Tavares location closed in 2013

CITY OF TAVARES, FLORIDA

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	30.5	30.0	29.0	27.5	27.5	27.5	29.0	28.0	29.5	29.5
Public Safety										
Police										
Sworn officers	31.0	31.0	29.0	29.0	28.0	36.0	26.0	26.0	26	26.0
Non-sworn officers	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1	2.0
Civilians ^{1 & 2}	11.0	10.5	9.0	8.5	11.0	3.0	3.0	3.0	2.5	2.5
Fire										
Firefighters & officers	21.0	21.0	21.0	21.0	23.0	23.0	24.0	24.0	24	24.0
Civilians	0.8	0.8	0.8	0.8	0.8	0.8	1.0	1.0	1	1.0
Physical Environment	13.8	10.8	8.0	7.0	7.0	7.0	8.0	9.0	9	9.0
Economic Development	2.0	2.0	2.4	2.0	2.0	2.0	2.0	2.0	2	2.0
Marina/Prop Shop	**	**	-	5.6	5.6	5.0	6.5	6.0	5.5	5.5
Water/Wastewater/SW	30.5	30.5	29.0	29.5	29.0	30.0	31.0	32.0	32	32.0
Solid Waste	8.0	8.0	7.0	7.0	6.0	7.0	8.0	8.0	8	8.0
Culture & Recreation	28.0	27.0	25.0	25.0	23.5	24.5	22.5	23.0	23	28.0
Total	176.5	171.5	161.1	163.8	164.3	166.8	162.0	163.0	163.5	169.5

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 .

3. Includes Pavilion employees.

CITY OF TAVARES, FLORIDA

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Auto accidents	626	557	541	541	604	578	21	21	746	682
Physical arrests	333	270	398	352	252	354	268	266	298	309
Criminal investigations conducted	374	259	180	185	262	227	176	246	796	770
Total calls for service	33,412	30,697	27,222	21,704	19,318	21,317	15,100	16,503	16,884	16,828
911 calls received ¹	4,063		3,912	3,751	1,830	915	**	4,204	**	1,477
Evidence processed (pieces)	**	**	**	**	**	**	**	**	**	**
Public education programs	**	**	**	**	**	**	**	**	**	158
Medical responses	2,046	2,214	2,131	3,009	3,325	3,549	809	1,955	3,984	3,425
Community Development										
Total permits issued	1,148	1,052	419	679	1,170	1,318	1,230	1,169	1,730	1,995
Construction inspections	1,650	2,611	1,642	2,081	3,634	3,666	4,941	1,080	4,980	6,727
Physical Environment										
Streets paved (miles)	118	118	118	118	118	118	123	125	125	-
Streets resurfaced (miles)	-	2	-	-	-	-	-	4	11	3
Sidewalks/bike paths built or repaired (feet)	10,816	1,065	1,065	3,597	3,597	19,398	65,229	3,100	58,080	755
Culture and Recreation										
Sports complex ball games & field rentals	765		496	509	518	685	639	699	699	592
Library cards issued	1,616	1,189	1,129	1,234	1,233	1,309	2,282	1,209	1,170	1,303
Water/Wastewater										
New connections	152	112	596	393	273	336	563	353	241	458
Number of customers	6,120	7,011	7,067	7,128	7,452	7,504	7,604	8,078	8,075	9,982
Water main breaks	3	8	10	4	12	9	5	3	4	-
Average daily consumption (millions of gallons)	3	3	3	3	3	3	3	3	3	2
Meter reads	8,876	8,909	8,982	9,088	9,277	9,432	9,475	10,214	10,477	11,132
General Government										
Employment applications received	698	829	626	357	292	482	613	669	590	482
Personnel actions processed	242	307	40	40	191	207	268	205	205	225
Legal notices published	27	68	39	39	34	56	88	50	154	49
Occupational licenses issued	956	976	995	956	965	969	1,172	1,066	1,081	313
Accidents and injuries reviewed	14	15	14	39	17	11	12	17	24	18
Land use amendments and rezonings	13	22	6	18	12	14	37	33	7	21
License/Permit reviews	579	1,218	722	1,150	1,150	107	1,230	1,501	1,824	1,968
Employees paid	185	203	207	200	208	204	220	211	203	186
Checks deposited	57,098	35,411	40,352	53,880	45,321	46,518	41,830	39,256	37,230	36,874
A/P Checks issued	5,653	5,397	5,235	5,419	5,174	5,651	6,110	7,277	5,550	5,623
Purchase orders/processed	4,390	4,388	4,254	4,400	4,461	4,966	5,266	5,909	5,967	5,235

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

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2019.

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. We did identify a deficiency in internal control, described in Appendix A to the accompanying Management Letter that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of Tavares' Response to Findings

City of Tavares' response to the findings identified in our audit is described in the accompanying letter to management. City of Tavares' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

McDiernit Davis & Company, LLC

Orlando, Florida
June 26, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH 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, 2018. 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 audit requirements of 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 state projects 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.

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, 2018.

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 the 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 and therefore, 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.

McDiarmid Davis & Company, LLC

Orlando, Florida
June 26, 2019

CITY OF TAVARES, FLORIDA

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2018

Award type Grantor Pass-through grantor Program title	CFSA Number	Contract/ Grant Number	Expenditures
State Awards			
State of Florida, Department of Environmental Protection			
State Revolving Fund, Stormwater Management *	37.077	SW350940	\$ 4,142,203
State Revolving Fund, SR 19 Lift Station *	37.077	WW350950	2,643
Statewide Surface Water Restoration and Wastewater Projects	37.039	S0568	192,848
Statewide Surface Water Restoration and Wastewater Projects	37.039	G0401	248,622
Statewide Surface Water Restoration and Wastewater Projects	37.039	NF024	91,746
Total State of Florida, Department of Environmental Protection			<u>4,678,062</u>
State of Florida, Department of Transportation			
Seaplane Master Plan	N/A	JPA ARU64	5,999
State of Florida, Department of Health			
ECG Cardiac Monitor	64.003	M5013	27,228
Mobile Medical Cart	64.003	M6015	10,105
Total State of Florida, Department of Health			<u>37,333</u>
Total expenditures of state financial assistance			<u>\$ 4,721,394</u>

* Denotes a major program

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, 2018. 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, 2018, even if grant or loan was received subsequent to that date. Pass-through entity identifying numbers are presented where available.

Section I - Summary of Independent Auditor's Results:

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency identified	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial Statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

State Projects

Type of auditors' report issued on compliance for major state projects:	Unmodified	
Internal control over major state project:		
• Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency identified	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major state projects CFSA No. 37.077 Stormwater Management

Dollar threshold used to distinguish between State Projects
 type A and type B programs \$300,000

Auditee qualified as a low-risk auditee? Yes No

Section II - Financial Statement Findings: None

Section III - State Project Findings and Questioned Costs: None

Section IV - State Award Summary Schedule of Prior Year Findings: There were no audit findings for the year ended September 30, 2017.

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, 2018, and have issued our report thereon dated June 26, 2019.

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 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 Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	FY 2017 Finding #	FY 2016 Finding #
ML 18-01	ML 17-01	ML 16-01

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.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 for the City of Tavares. 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.

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 B.

Additional Matters

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.

McDiarmid Davis & Company, LLC

Orlando, Florida
June 26, 2019

ML 18-02 Bank Reconciliation Review

Criteria

Bank reconciliations must be reviewed in a timely manner.

Condition

During our audit, we noted that the review process for bank reconciliations was not performed in a timely manner and errors in the bank reconciliation were not detected before we began our audit procedures.

Cause

Bank reconciliations were assigned to a staff member who had not previously performed them, and the staff member did not receive adequate training. The reconciliations were not reviewed in a timely manner to identify misstatements.

Effect

Misstatements, whether due to fraud or error, would not be detected in a timely manner.

Recommendation

We recommend that the City improve employee training and oversight of the bank reconciliation process and perform timely reviews of completed reconciliations. This review should be evidenced by dated sign offs by the responsible individuals.

ML 18-01 General Fund Balance

Criteria

The Government Finance Officers Association recommends a General Fund balance reserve of at least two month's expenditures in order to mitigate current and future risks.

Condition

Our review of the City's financial condition assessment as of and for the year ended September 30, 2016 noted unrestricted General Fund balance of \$562,346. The unrestricted General Fund balance increased to \$1,775,046 at September 30, 2018; however, this is still below the recommended reserve.

Cause

Continued increases in operating expenditures, including but not limited to increasing levels of debt service requirements.

Effect

If there is a disruption in revenue sources or if a catastrophic event occurs, the City may be unable to meet its obligations which could result in a condition of financial of emergency as defined by Section 218.503 (1), Florida Statutes.

Recommendation

We recommend that the City explore revenue enhancement opportunities, cost reductions, and delaying future borrowings until such time that an appropriate reserve can be established.

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, 2018 and have issued our report thereon dated June 26, 2019. 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 October 12, 2018, 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.

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.

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 2 to the financial statements, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. 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.

Management's estimate for the allocation of pension related balances between governmental activities, the water and sewer fund, the sanitation fund, the stormwater fund and the seaplane base is based on the amount of required pension contributions required to be made by each reporting unit. We evaluated the reasonableness of the allocation factor in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the allocation of OPEB related balances between governmental activities, the water and sewer fund, the sanitation fund, the stormwater fund and the seaplane base is based on the amount of health insurance cost incurred by each reporting unit. We evaluated the reasonableness of the allocation factor 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. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

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 management representation letter dated June 26, 2019.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

Very truly yours,

McDiernit Davis & Company, LLC

Orlando, Florida
June 26, 2019

**INDEPENDENT ACCOUNTANT'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, 2018. 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, 2018.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
June 26, 2019



June 26, 2019

McDermitt Davis & Company, LLC
934 N. Magnolia Avenue
Suite 100
Orlando, FL 32803

Re: Management Letter
City of Tavares

In response to Management Letter dated June 26, 2019 pursuant to the City of Tavares annual audit for Fiscal Year ended September 30, 2018, please find City of Tavares management responses to the Management Letter Audit Comments:

Management Response to Current Year Management Comments:

ML-18-01 General Fund Balance

Criteria

The Government Finance Officers Association recommends a General Fund balance reserve of at least two month's expenditures in order to mitigate current and future risks.

Condition

Our review of the City's financial condition assessment as of and for the year ended September 30, 2016 noted a decline in unrestricted General Fund balance of \$562,346. The unrestricted Fund balance increased to \$1,775,046 at September 30, 2018; however, this is still well below the recommended reserve.

Cause

Continued increases in operating expenditures, including but not limited to increasing levels of debt service requirements.

Effect

If there is a disruption in revenue sources or if a catastrophic event occurs, the City may be unable to meet its obligations which could result in a condition of financial emergency as defined by Section 218.503 (1), Florida Statutes.

Recommendation

We recommend that the City explore revenue enhancement opportunities, cost reductions, and delaying future borrowings until such time that an appropriate reserve can be established.

Management Response

Management agrees that a sufficient reserve balance is needed to mitigate any fiscal impact for unexpected events such as revenue disruptions, capital equipment failures, catastrophic occurrences, or severe depressions in the national economy.

The City acknowledges that the total General reserve balance has experienced a decrease. This decrease can be attributed to the use of reserves on a limited basis during a time of slowed national economic recovery, and an increase in the total city budget due to price increases for supplies and services used by the City. In addition the City implemented the downtown Seaplane Base and Marina Project and the Pavilion on the Lake Project, and although the Seaplane Base and the Pavilion on the Lake have increased General Fund revenues and expenditures both initiatives have provided an economic boost to the local economy, providing a "rebirth" to the Tavares downtown core. This rebirth included three new hotels, several restaurants in the downtown waterfront as well as several ancillary businesses such as catering, wedding planning, photography, flight training, tourism, and aircraft manufacturing. In Fiscal Year 2019 with the addition of the Polar Express in the fall of 2018 added to train depot operations, economic growth is expected continue to provide additional business growth in the downtown core as well as major corridors within the City.

The City acknowledges that as total annual expenditures increase that the total reserve balance should also increase to insure that the proportional reserve balance to total expenditures will continue to be equal to or greater than two months of operations and meet the Governmental Finance Officers Association recommendation.

Immediately preceding the beginning of the Fiscal Year, the City experienced damaging effects from Hurricane Irma on September 11, 2017. Damages from the Hurricane affected many departments with significant damage occurring at the Tavares Seaplane Base and Marina. The City also experienced additional operating costs for staffing and clean-up measures to address the effects of the storm. Reimbursements from FEMA are expected to be received in Fiscal Year 2019 and will be used to increase reserves funds.

The City included an appropriated increase to the General Fund reserve balance in the Fiscal Year 2019 Adopted Budget; the Proposed Budget for Fiscal Year 2020 will also include a small increase to General Fund reserves over the prior Fiscal Year. The City will continue to include this practice as part of the annual budgeting process.

The City will monitor annual expenditures closely to ensure compliance; in addition the City has been proactive at looking for additional revenue sources. In 2018 the City expected to share in an interlocal agreement that would provide for a county-wide referendum providing for an additional fuel tax levy for Lake County (Lake County fuel tax levies currently lag behind other jurisdictions.). Although the county-wide referendum has not yet occurred, the City is hopeful that the referendum for this revenue source will move forward in the near future. The City is an active member in the GFOA, the ICMA, and the Florida League of Cities, and through these organizations supports the

national mission to secure sales tax collections from on-line sales. The City will continue to look at ways to increase reserve levels in the General Fund.

ML 18-02 Bank Reconciliation Review

Criteria

Bank reconciliations must be reviewed in a timely manner.

Condition

During our audit, we noted that the review process for bank reconciliations was not performed in a timely manner and errors in the bank reconciliation were not detected before we began our audit procedures.

Cause

Bank reconciliations were assigned to a staff member who had not previously performed them, and the staff member did not receive adequate training. The reconciliations were not reviewed in a timely manner to identify misstatements.

Effect

Misstatements, whether due to fraud or error, would not be detected in a timely manner.

Recommendation

We recommend that the City improve employee training and oversight of the bank reconciliation process and perform timely reviews of completed reconciliations. This review should be evidenced by dated sign offs by the responsible individuals.

Management Response

Management agrees that all bank reconciliations must be completed and reviewed in a timely manner to ensure that errors and fraud are detected to reduce misstatements.

Management will review and update the bank reconciliation completion and review process. Management will ensure that staff performing bank reconciliations receives appropriate and sufficient training to ensure the completion of timely and accurate reconciliations. Management will provide a bank reconciliation workflow process for the employee performing bank reconciliations, and ensure that the employee understands each step of the process.

Management will ensure the timely completion of bank reconciliations, and management will create a monthly log for the bank reconciliation review process. Bank reconciliation reviews will be completed monthly and review approvals will be provided by the Finance Manager and the Finance Director.

Sincerely,



Lori Houghton
Finance Director

cc: John Drury, City Administrator

CITY OF TAVARES
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2018

