

**CITY OF TAVARES**  
**Comprehensive Financial Report**  
**Fiscal Year Ended September 30, 2019**



**“FA 1” at Tavares, Florida**  
**“THE FUTURE LANDS HERE!”**

**CITY OF TAVARES**  
**Comprehensive Annual Financial Report**  
**For Fiscal Year Ended September 30, 2019**



COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

CITY OF TAVARES, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2019

PREPARED BY:  
FINANCE DEPARTMENT



THIS PAGE INTENTIONALLY LEFT BLANK

## **INTRODUCTORY SECTION**

	<b><u>Page</u></b>
<b>INTRODUCTORY SECTION:</b>	
Table of Contents	i
Letter of Transmittal	iii
GFOA Certificate of Achievement	viii
List of Principal Officials	ix
Organizational Chart	x
<b>FINANCIAL SECTION:</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Greater Downtown TIF District Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Infrastructure Surtax Special Revenue Fund	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Position - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	27
Notes to Financial Statements	28
Required Supplementary Information	
Schedule of Changes in the City's Net OPEB Liability and Related Ratios	76
Schedule of Changes in the City's Net Pension Liability and Related Ratios - Police Officers' Pension Plan	77
Schedule of City Contributions - Police Officers' Pension Plan	78
Schedule of Investment Returns - Police Officers' Pension Plan	79
Schedule of Changes in the City's Net Pension Liability and Related Ratios - Firefighters' Pension Plan	80
Schedule of City Contributions - Firefighters' Pension Plan	81
Schedule of Investment Returns - Firefighters' Pension Plan	82
Schedule of City's Proportionate Share of Net Pension Liability - FRS	83
Schedule of City's Contributions - FRS	84
Budgetary Comparison Schedule - Capital Projects Fund	85
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	88

	<u>Page</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Police Training Special Revenue Fund	90
Grant Fund	91
Police Services Impact Special Revenue Fund	92
Fire/Rescue Services Impact Special Revenue Fund	93
Police Forfeitures Special Revenue Fund	94
Parks and Recreation Impact Special Revenue Fund	95
Pavilion Fund	96
Fire Assessment Special Revenue Fund	97
Flag Pole Fund	98
Debt Service Fund	99
Combining Statement of Fiduciary Net Position - Fiduciary Funds	100
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds	101
 STATISTICAL SECTION:	
Net Position by Component	102
Changes in Net Position	104
Governmental Activities Tax Revenues by Source	106
Fund Balances of Governmental Funds	107
Changes in Fund Balances of Governmental Funds	109
Assessed Value and Estimated Actual Value of Taxable Property	111
Property Tax Rates, Direct and Overlapping Governments	113
Principal Property Taxpayers	114
Property Tax Levies and Collections	115
Ratio of Outstanding Debt by Type	116
Ratios and General Bonded Debt Outstanding	117
Direct and Overlapping Governmental Activities Debt	118
Legal Debt Margin Information	119
Pledged-Revenue Bond Coverage	120
Demographic and Economic Statistics	121
Principal Employers	122
Full-time Equivalent City Government Employees by Function/Program	123
Operating Indicators by Function/Program	124
 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 <i>Government Auditing Standards</i>	125
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance In Accordance with the Uniform Guidance	127
Schedule of Expenditures of Federal Awards	129
Notes to Schedule of Federal Awards	130
Schedule of Findings and Questioned Costs	131
Management Letter	132
Independent Accountant's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	136
Response to Management Comments	137



June 30, 2020

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, 2019.

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, 2019. 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 13.74 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 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 to 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 is 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 completed 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. 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. In fiscal year 2020, the City will add water fountain features to the retention pond. The fountains will enhance water circulation within the pond as well as provide additional enjoyment for visitors to the park.

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 and Comptroller, 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 increased from 7.00 in the prior fiscal year to 7.1119 mills in fiscal year 2019 (tax roll 2018). The millage rate increase can be attributed to new positions, street paving, and enhanced holiday lighting.

The unemployment rate for Lake County at September 30, 2019 was reported at 2.9%. This compares to the state unemployment rate of 2.5% and the national rate of 3.5%. There were 97 new business tax receipt applications processed in fiscal year 2019 indicating new business growth for the year ended September 30, 2019.

The total number of new construction permits, increased slightly in fiscal year 2019, indicating a steady local economy for new construction; permits were steady as the City issued 13 permits for new home construction, 295 permits for home alterations and additions, and five permits for new commercial construction. 1,276 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 13.7% of total General Fund expenditures (excluding debt service), the City included replenishment for reserves in the adopted budget for fiscal year 2020, and will continue to include a focus toward replenishing reserve 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 April 2010 the City opened the Wooton Park Seaplane Base located on the Lake Dora downtown waterfront, and America's Seaplane City was born. The Seaplane Base and Marina includes a Train Station Depot with a passenger rail platform. In March 2012, a special referendum was held for issuance of General Obligation Debt to provide funding to expand the Wooton Park Seaplane Base and Marina on the downtown waterfront. The referendum was approved by the citizens of Tavares and provided for the expansion of the Seaplane Base and Marina. The expansion included new restrooms 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 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 the early morning hours of September 11, 2017 Hurricane Irma arrived at the Tavares Seaplane Base and downtown waterfront, packing Category 2 winds, and delivering extensive damage to the City's Seaplane Base and Marina as the eye of the storm went over Tavares. In January 2018 the City opted to undertake the rebuilding of the project through a design/build initiative. Project design for the rebuild project began in fiscal year 2018, and the City anticipates construction to commence in March of 2020 and to take about a year to rebuild. The rebuild project will include a best layout of co-located seaplane and recreation boating activities, on-the-water fueling facility with self-service credit card acceptance, sanitary sewer pump out facilities, 92 boat slips with lighting and water availability, and linear dockage to accommodate visiting recreational boats and transient seaplanes. The docks will accommodate commercial operations for a tour vessel with loading, unloading, and long-term vessel storage, as well as use by a boat rental organization. The downtown waterfront seaplane base rebuild project will be funded from insurance proceeds and a small contribution from the general government. The project is anticipated to be completed in the fall of 2021.

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: Sunnyland Antique Classic Boat Festival, Planes-Trains-Barbeque event, and the Classic Boat Regatta. An air show for the Planes-Trains-Barbeque event has added a unique experience for this event, bringing many 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 installed additional branded signage in fiscal year 2019 by installing branded signage at 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 was completed in Fiscal Year 2019.

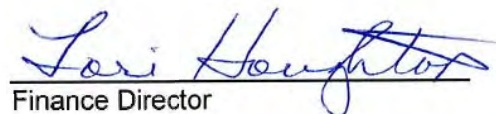
The preparation of this report would not have been possible without the efficient and dedicated services of the staff in the Finance Department. We would like to express our appreciation to all members of the staff who assisted and contributed to the preparation of this report. Credit also must be given 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, 2018. This was the fourth 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



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Tavares**  
**Florida**

Text38:

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

Executive Director/CEO

CITY OF TAVARES, FLORIDA

**LIST OF PRINCIPAL OFFICIALS**

Year Ended September 30, 2019

**MAYOR**

Troy Singer

**CITY COUNCIL**

Lori Pfister, Vice Mayor

Kirby Smith

Roy Stevenson

Amanda Boggus

**CITY ADMINISTRATOR**

John Drury

**CITY CLERK**

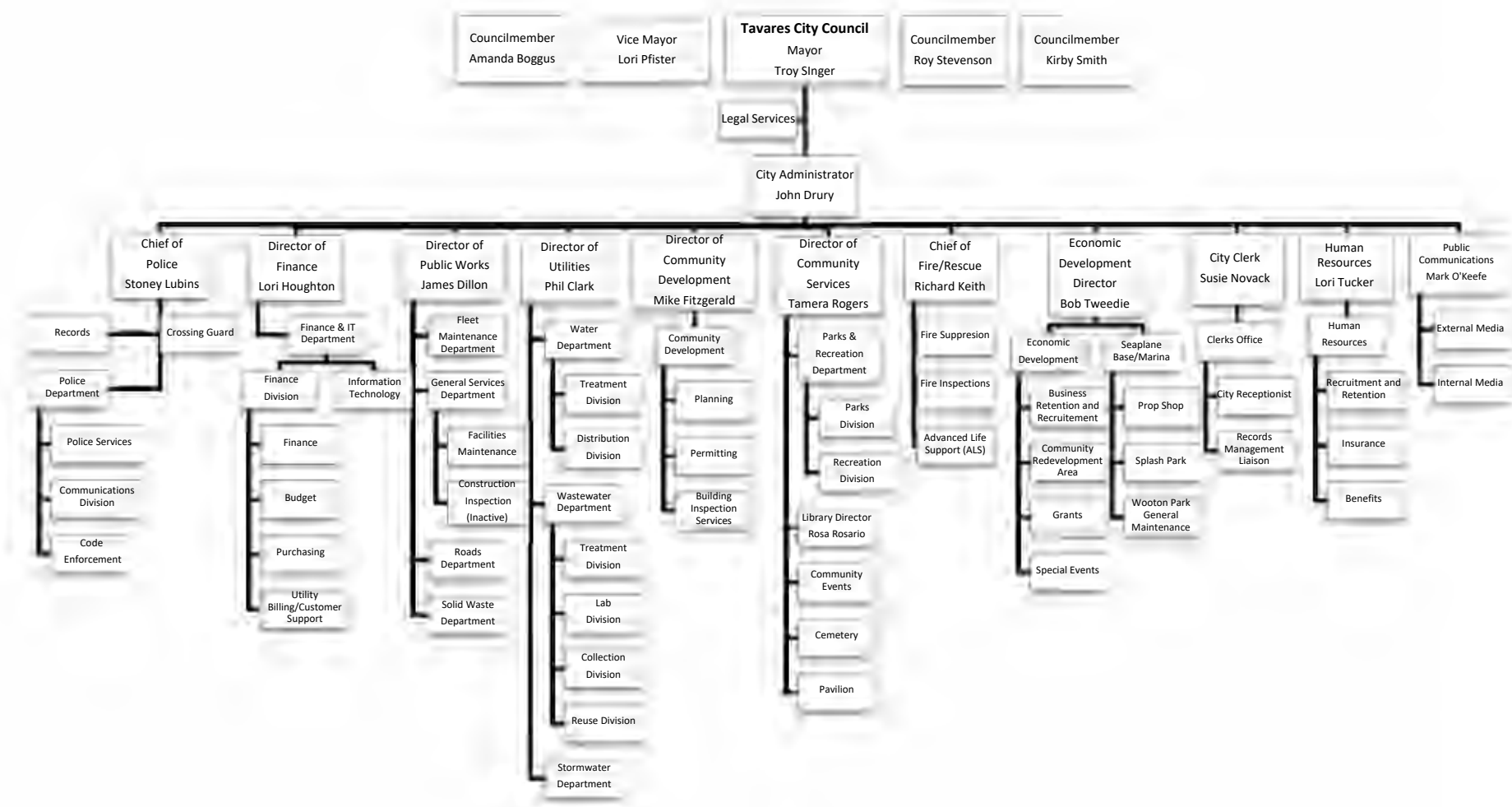
Susie Novack

**CITY ATTORNEY**

Robert Q. Williams

**FINANCE DIRECTOR**

Lori Houghton



**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tavares, Florida (the City), as of and for the year ended September 30, 2019, 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, 2019, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the general 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, budgetary comparison information, pension and other postemployment benefits disclosures on pages 3 through 13 and 76 through 85, 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 basic financial statements. The introductory section, combining and individual fund financial statements and schedules, statistical section, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are 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 30, 2020, 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.

*McDiarmid Davis*

Orlando, Florida  
June 30, 2020

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, 2019. 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 \$75,515,730 (net position). Of this amount, \$17,757,604 (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 \$8,023,306.
- As of the close of the current fiscal year, the City of Tavares governmental funds reported combined ending fund balances of \$1,389,003, a decrease of \$9,928,076 in comparison with the prior year. This decrease resulted primarily from capital outlay in the infrastructure surtax fund.
- The General Fund experienced an increase of \$279,140 in fund balance for the fiscal year and ended the year with a fund balance of \$2,368,328 with \$2,306,142 in unassigned fund balance and available for spending at the City's discretion.
- The General Fund issued \$837,000 in notes payable to finance the acquisition of new equipment.

### **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 capital projects 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 greater downtown TIF special revenue fund, and the infrastructure surtax fund to demonstrate compliance with this budget at pages 19 - 21. Budgetary comparison schedules have been provided for the capital projects fund on page 85 and nonmajor funds at pages 90 - 99.

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 22 - 25 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 26 - 27 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 28 - 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 86 - 101.

**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 \$75,515,730 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.

\*\*\*The Section Intentionally Left Blank\*\*\*

City of Tavares  
Statement of Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current and other assets	\$ 12,416,131	\$ 18,102,561	\$ 27,028,063	\$ 25,418,835	\$ 39,444,194	\$ 43,521,396
Capital assets	52,182,109	40,940,728	61,731,006	62,393,741	113,913,115	103,334,469
<b>Total assets</b>	<b>64,598,240</b>	<b>59,043,289</b>	<b>88,759,069</b>	<b>87,812,576</b>	<b>153,357,309</b>	<b>146,855,865</b>
<b>Total Deferred Outflows of Resources</b>						
	2,824,346	2,422,399	878,219	994,667	3,702,565	3,417,066
<b>Liabilities:</b>						
Long-term liabilities outstanding	33,588,709	32,684,994	41,297,702	42,735,072	74,886,411	75,420,066
Other liabilities	3,304,866	3,561,032	1,847,775	2,024,666	5,152,641	5,585,698
<b>Total liabilities</b>	<b>36,893,575</b>	<b>36,246,026</b>	<b>43,145,477</b>	<b>44,759,738</b>	<b>80,039,052</b>	<b>81,005,764</b>
<b>Total Deferred Inflows of Resources</b>						
	1,290,360	1,485,129	214,732	289,614	1,505,092	1,774,743
<b>Net Position:</b>						
Net investment in capital assets	28,161,534	26,424,663	23,254,396	22,259,502	51,415,930	48,684,165
Restricted	1,458,161	1,780,710	4,884,035	4,618,956	6,342,196	6,399,666
Unrestricted	(381,044)	(4,470,840)	18,138,648	16,879,433	17,757,604	12,408,593
<b>Total net position</b>	<b>\$ 29,238,651</b>	<b>\$ 23,734,533</b>	<b>\$ 46,277,079</b>	<b>\$ 43,757,891</b>	<b>\$ 75,515,730</b>	<b>\$ 67,492,424</b>

The largest portion of the City's net position, \$51,415,930, reflects its investments in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt that is outstanding used to acquire those assets. 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.

\*\*\*The Section Intentionally Left Blank\*\*\*

An additional portion of the City of Tavares's net position, \$6,342,196, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position of \$17,757,604 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased \$8,023,306 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	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,836,810	\$ 3,734,789	\$ 15,123,639	\$ 14,214,318	\$ 17,960,449	\$ 17,949,107
Operating grants and contributions	666,801	621,132	446,927	17,199	1,113,728	638,331
Capital grants and contributions	5,214,037	1,212,353	968,716	575,074	6,182,753	1,787,427
General revenues:						
Property taxes	6,532,692	5,831,830	-	-	6,532,692	5,831,830
Franchise and utility taxes	3,421,522	3,241,864	-	-	3,421,522	3,241,864
Intergovernmental	3,413,252	3,256,119	-	-	3,413,252	3,256,119
Investment income and miscellaneous	256,341	367,133	159,884	484,775	416,225	851,908
<b>Total revenues</b>	<b>22,341,455</b>	<b>18,265,220</b>	<b>16,699,166</b>	<b>15,291,366</b>	<b>39,040,621</b>	<b>33,556,586</b>
<b>Expenses:</b>						
General government	3,939,032	3,553,653	-	-	3,939,032	3,553,653
Public safety	7,267,071	6,478,044	-	-	7,267,071	6,478,044
Physical environment	2,924,254	3,001,665	-	-	2,924,254	3,001,665
Economic environment	555,947	465,482	-	-	555,947	465,482
Culture and recreation	3,797,121	3,429,245	-	-	3,797,121	3,429,245
Interest on long-term debt	742,038	777,174	-	-	742,038	777,174
Water and sewer	-	-	8,242,600	8,161,242	8,242,600	8,161,242
Solid waste	-	-	2,140,411	2,072,946	2,140,411	2,072,946
Stormwater	-	-	522,396	619,827	522,396	619,827
Seaplane base	-	-	886,445	790,392	886,445	790,392
<b>Total expenses</b>	<b>19,225,463</b>	<b>17,705,263</b>	<b>11,791,852</b>	<b>11,644,407</b>	<b>31,017,315</b>	<b>29,349,670</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>3,115,992</b>	<b>559,957</b>	<b>4,907,314</b>	<b>3,646,959</b>	<b>8,023,306</b>	<b>4,206,916</b>
<b>Transfers</b>	<b>2,388,126</b>	<b>2,118,193</b>	<b>(2,388,126)</b>	<b>(2,118,193)</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Position</b>	<b>5,504,118</b>	<b>2,678,150</b>	<b>2,519,188</b>	<b>1,528,766</b>	<b>8,023,306</b>	<b>4,206,916</b>
Net position, beginning	23,734,533	21,056,383	43,757,891	42,229,125	67,492,424	63,285,508
<b>Net position, ending</b>	<b>\$ 29,238,651</b>	<b>\$ 23,734,533</b>	<b>\$ 46,277,079</b>	<b>\$ 43,757,891</b>	<b>\$ 75,515,730</b>	<b>\$ 67,492,424</b>

**Governmental activities**

Governmental activities increased the City of Tavares's net position by \$5,504,118. Key elements of this increase are as follows:

- Capital grants and contributions of \$4,001,684 primarily related to insurance recoveries for the seaplane basin repairs needed after Hurricane Irma.
- Expenses increased across the various functional activities by \$1,520,200 (9%) primarily due to expense related to the Florida Retirement System net pension liability (\$529,919).

**Business-type activities**

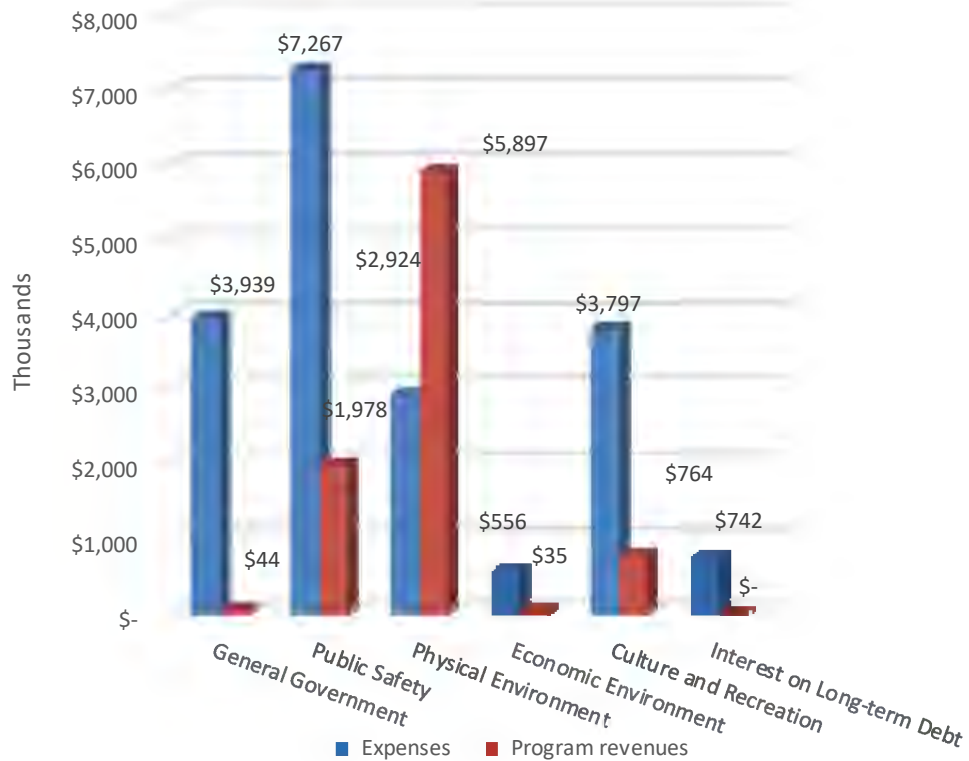
Overall, net position increased by \$2,519,188 (6%) from business-type activities during the current year. Unrestricted net position of the business-type activities at the end of the year amounted to \$18,138,648. The City neared completion on the downtown stormwater project, which was funded in part by grants (accounted for in the grant fund). The City's match portion of the grant is 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 increased by \$1,407,800 (9%), primarily in charges for services and FEMA reimbursements received for Hurricane Irma.
- Operating expenses for all business-type activities increased over the prior fiscal year by \$147,445 (1%).

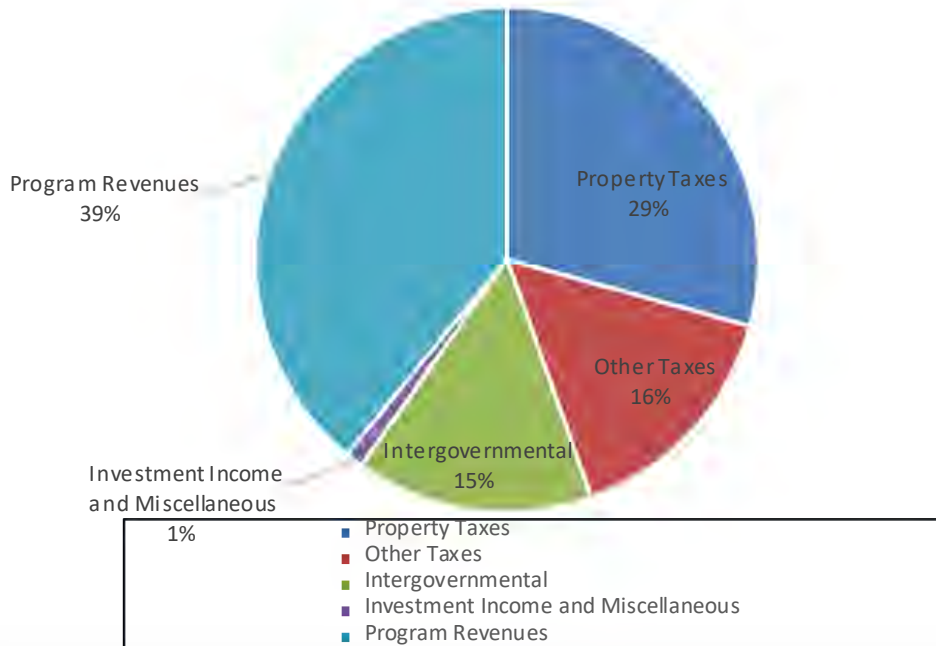
\*\*\*The Section Intentionally Left Blank\*\*\*



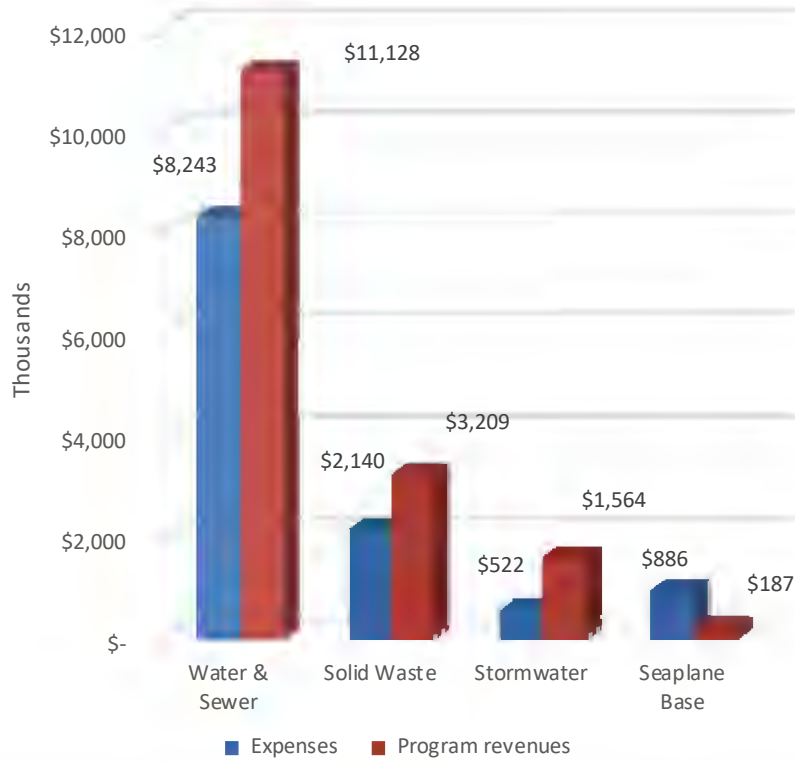
### Expenses and Program Revenues - Governmental Activities



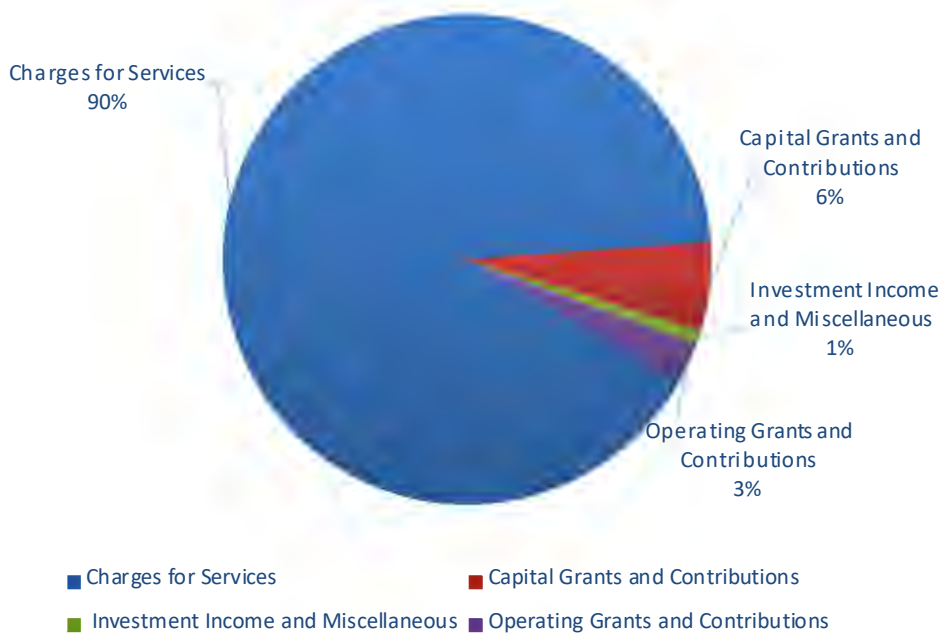
### Revenues by Source - Governmental Activities



### 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 \$1,389,003, a decrease of \$9,928,076 in comparison with the prior year. The decrease is primarily attributable to capital outlay for the construction of the public safety complex, which was completed shortly after year end. Unassigned fund balance is negative, at \$1,188,946. 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 (\$469,318), 2) to fund public safety expansion projects (\$481,904), 3) to fund various capital projects (\$1,459,651), and 4) to fund culture and recreation expansion projects (\$75,595). In addition, fund balance includes nonspendable amounts (\$62,186), and non-expendable trusts (\$29,295). The majority of the nonspendable balance, \$52,297, 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 \$2,306,142 while total fund balance was \$2,368,328. 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 14% of total general fund expenditures, while total fund balance represents 14% of that same amount.

The fund balance of the general fund increased by \$279,140 during the current fiscal year. Key factors attributing to the increase are as follows:

- Increase in tax revenues of \$815,403.

The capital projects fund has a total fund balance deficit of \$786,016 due to long term advance from the Water & Sewer Fund. The fund deficit of the Greater Downtown TIF District was \$324,351, which is a decrease of \$7,112.

The fund balance in the infrastructure surtax fund decreased by \$9,013,444. 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 \$18,138,648. Total net position for proprietary funds increased by \$2,519,188 (6%). 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 \$849,267 while original estimated revenues increased by \$25,478. The increase in budgeted expenditures was primarily in the public safety function. During the year, actual revenues were less than budgetary estimates by \$738,978, and expenditures were less than budgetary estimates by \$1,146,348. The reasons for the increase in appropriations can be briefly summarized as follows:

- \$281,183 in increased costs related to salaries and benefits.
- \$786,419 in additional equipment purchases for the Police & Fire Departments.

### 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, 2019 amounts to \$113,913,115 (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 was completed after year end.

City of Tavares  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 6,594,092	\$ 6,594,092	\$ 533,788	\$ 533,263	\$ 7,127,880	\$ 7,127,355
Intangible assets	201,703	87,232	374,694	22,908	576,397	110,140
Buildings & improvements	9,003,000	9,312,444	48,346,894	50,614,812	57,349,894	59,927,256
Improvements/infrastructure	14,553,308	13,457,947	-	-	14,553,308	13,457,947
Machinery and equipment	1,906,810	1,014,023	2,327,828	2,635,026	4,234,638	3,649,049
Construction in progress	19,923,196	10,474,990	10,147,802	8,587,732	30,070,998	19,062,722
<b>Total</b>	<b>\$ 52,182,109</b>	<b>\$ 40,940,728</b>	<b>\$ 61,731,006</b>	<b>\$ 62,393,741</b>	<b>\$ 113,913,115</b>	<b>\$ 103,334,469</b>

Additional information on the City of Tavares's capital assets can be found in Note 7 on pages 41 - 42 of this report.

*Long-Term Debt*

At the end of the current fiscal year, the City of Tavares had total debt outstanding of \$62,841,302. 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 43 - 50 of this report.

City of Tavares  
 Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds payable	\$ -	\$ -	\$ 4,875,000	\$ 5,255,000	\$ 4,875,000	\$ 5,255,000
Notes payable	24,037,000	25,092,962	33,629,082	34,812,740	57,666,082	59,905,702
Capital lease obligations	300,220	-	-	66,499	300,220	66,499
	<u>\$ 24,337,220</u>	<u>\$ 25,092,962</u>	<u>\$ 38,504,082</u>	<u>\$ 40,134,239</u>	<u>\$ 62,841,302</u>	<u>\$ 65,227,201</u>

The City of Tavares's total debt decreased by \$2,385,899 (4%) during the current fiscal year, primarily because of the following:

- Regularly scheduled payments of outstanding debt (\$3,644,411) in excess of notes payable issued (\$837,000) and capital leases (\$339,398)

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

- The unemployment rate for Lake County at September 30, 2019 was reported at 2.9%, no change from the prior fiscal year which indicates stable employment for the City of Tavares. This compares to the state unemployment rate of 3.5%, a slight decrease over the prior fiscal year.
- During the reporting period new construction permits for residential and commercial construction decreased by 77% over the prior fiscal year. Although the city experienced a significant reduction in new construction permits, remodeling and reconstruction permits increased by 17%. New construction permits included single family homes, restaurants, sales offices, convenient stores, storage facilities, and office buildings. Although new construction permitting decreased over prior year, the city approved several annexations, site plans, and future land use amendments; all indicators for continued growth and expansion for the local economy.
- 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 in 2017, the second phase has been permitted, and is scheduled for completion in fiscal year 2020.

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

City of Tavares, Florida  
**Statement of Net Position**  
September 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 6,925,484	\$ 10,331,778	\$ 17,257,262
Investments	225,834	3,780,715	4,006,549
Receivables, net	8,288,343	2,193,349	10,481,692
Inventories	7,389	127,428	134,817
Internal balances	(5,044,056)	5,044,056	-
Due from other governments	925,964	-	925,964
Prepaid costs	2,500	-	2,500
Restricted assets:			
Cash and cash equivalents	1,057,602	3,467,230	4,524,832
Investments	27,071	2,065,104	2,092,175
Special assessments receivable	-	18,403	18,403
Capital assets not being depreciated	26,517,288	10,681,590	37,198,878
Capital assets being depreciated, net of accumulated depreciation	25,664,821	51,049,416	76,714,237
<b>Total assets</b>	<b>64,598,240</b>	<b>88,759,069</b>	<b>153,357,309</b>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	-	27,472	27,472
Deferred outflows of OPEB earnings	117,752	46,251	164,003
Deferred outflows of pension earnings	2,706,594	804,496	3,511,090
<b>Total deferred outflows of resources</b>	<b>2,824,346</b>	<b>878,219</b>	<b>3,702,565</b>
<b>Liabilities:</b>			
Accounts payable and other current liabilities	2,003,664	918,299	2,921,963
Matured bonds and interest payable	902,637	-	902,637
Accrued interest payable	80,255	268,250	348,505
Unearned revenues	298,694	9,616	308,310
Customer deposits payable	19,616	651,610	671,226
Noncurrent liabilities:			
Due within one year	2,175,055	2,026,163	4,201,218
Due in more than one year	31,413,654	39,271,539	70,685,193
<b>Total liabilities</b>	<b>36,893,575</b>	<b>43,145,477</b>	<b>80,039,052</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows of OPEB earnings	11,333	4,452	15,785
Deferred inflows of pension earnings	1,279,027	210,280	1,489,307
<b>Total deferred inflows of resources</b>	<b>1,290,360</b>	<b>214,732</b>	<b>1,505,092</b>
<b>Net Position:</b>			
Net investment in capital assets	28,161,534	23,254,396	51,415,930
Restricted for:			
Capital projects	402,049	4,884,035	5,286,084
Culture and recreation	75,595	-	75,595
Public safety	481,904	-	481,904
Debt Service	469,318	-	469,318
Perpetual care-nonexpendable	29,295	-	29,295
Unrestricted	(381,044)	18,138,648	17,757,604
<b>Total Net Position</b>	<b>\$ 29,238,651</b>	<b>\$ 46,277,079</b>	<b>\$ 75,515,730</b>

City of Tavares, Florida  
**Statement of Activities**  
For the Year Ended September 30, 2019

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		
<b>Governmental Activities:</b>							
General government	\$ 3,939,032	\$ 44,388	\$ -	\$ -	\$ (3,894,644)	\$ -	\$ (3,894,644)
Public safety	7,267,071	1,829,337	108,520	39,871	(5,289,343)	-	(5,289,343)
Physical environment	2,924,254	489,698	431,326	4,975,883	2,972,653	-	2,972,653
Economic environment	555,947	23,845	-	10,849	(521,253)	-	(521,253)
Culture and recreation	3,797,121	449,542	126,955	187,434	(3,033,190)	-	(3,033,190)
Interest on long-term debt	742,038	-	-	-	(742,038)	-	(742,038)
<b>Total governmental activities</b>	<b>19,225,463</b>	<b>2,836,810</b>	<b>666,801</b>	<b>5,214,037</b>	<b>(10,507,815)</b>	<b>-</b>	<b>(10,507,815)</b>
<b>Business-type activities:</b>							
Water and sewer	8,242,600	10,163,373	142,216	822,813	-	2,885,802	2,885,802
Solid Waste	2,140,411	3,208,736	235,661	-	-	1,303,986	1,303,986
Stormwater	522,396	1,564,091	4,767	-	-	1,046,462	1,046,462
Seaplane Base	886,445	187,439	64,283	145,903	-	(488,820)	(488,820)
<b>Total business-type activities</b>	<b>11,791,852</b>	<b>15,123,639</b>	<b>446,927</b>	<b>968,716</b>	<b>-</b>	<b>4,747,430</b>	<b>4,747,430</b>
<b>Total primary government</b>	<b>\$ 31,017,315</b>	<b>\$ 17,960,449</b>	<b>\$ 1,113,728</b>	<b>\$ 6,182,753</b>	<b>(10,507,815)</b>	<b>4,747,430</b>	<b>(5,760,385)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes					6,532,692	-	6,532,692
Franchise fees and utility taxes					3,421,522	-	3,421,522
Intergovernmental-unrestricted					3,413,252	-	3,413,252
Investment income and miscellaneous					256,341	159,884	416,225
Transfers					2,388,126	(2,388,126)	-
<b>Total general revenues and transfers</b>					<b>16,011,933</b>	<b>(2,228,242)</b>	<b>13,783,691</b>
<b>Change in net position</b>					<b>5,504,118</b>	<b>2,519,188</b>	<b>8,023,306</b>
Net position, beginning					23,734,533	43,757,891	67,492,424
<b>Net position, ending</b>					<b>\$ 29,238,651</b>	<b>\$ 46,277,079</b>	<b>\$ 75,515,730</b>



City of Tavares, Florida  
**Balance Sheet**  
**Governmental Funds**  
September 30, 2019

	General	Capital Projects Fund	Greater Downtown TIF District	Infrastructure Surtax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 3,678,049	\$ 813,414	\$ 114,219	\$ 1,069,932	\$ 1,249,870	\$ 6,925,484
Investments	49,582	-	6,523	142,879	53,921	252,905
Receivables, net	286,791	7,802,517	17,766	-	181,269	8,288,343
Inventories, at cost	7,389	-	-	-	-	7,389
Due from other governments	104,202	-	-	162,755	659,007	925,964
Prepaid items	2,500	-	-	-	-	2,500
Advances to other funds	52,297	-	-	-	-	52,297
Restricted assets:						
Cash and cash equivalents	-	-	-	1,057,602	-	1,057,602
<b>Total assets</b>	<b>\$ 4,180,810</b>	<b>\$ 8,615,931</b>	<b>\$ 138,508</b>	<b>\$ 2,433,168</b>	<b>\$ 2,144,067</b>	<b>\$ 17,512,484</b>
<b>Liabilities and Fund Balances:</b>						
Accounts payable	\$ 787,568	\$ 178,508	\$ 11,649	\$ 9,947	\$ 35,002	\$ 1,022,674
Accrued liabilities	809,188	-	1,210	-	12,702	823,100
Retainage payable	-	-	-	157,890	-	157,890
Due to other funds	-	1,420,922	450,000	-	3,225,431	5,096,353
Customer deposits	-	-	-	-	19,616	19,616
Unearned revenue	215,726	-	-	-	82,968	298,694
Matured bonds payable	-	-	-	644,000	80,000	724,000
Matured interest payable	-	-	-	161,680	16,957	178,637
<b>Total liabilities</b>	<b>1,812,482</b>	<b>1,599,430</b>	<b>462,859</b>	<b>973,517</b>	<b>3,472,676</b>	<b>8,320,964</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	-	7,802,517	-	-	-	7,802,517
<b>Fund Balances (Deficits):</b>						
Nonspendable	62,186	-	-	-	29,295	91,481
Restricted	-	-	-	1,459,651	1,026,817	2,486,468
Unassigned	2,306,142	(786,016)	(324,351)	-	(2,384,721)	(1,188,946)
<b>Total fund balances</b>	<b>2,368,328</b>	<b>(786,016)</b>	<b>(324,351)</b>	<b>1,459,651</b>	<b>(1,328,609)</b>	<b>1,389,003</b>
<b>Total liabilities, deferred inflows, and fund balances (deficits)</b>	<b>\$ 4,180,810</b>	<b>\$ 8,615,931</b>	<b>\$ 138,508</b>	<b>\$ 2,433,168</b>	<b>\$ 2,144,067</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	52,182,109
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.	1,533,986
Other long term receivables are not available to pay for current period expenditures and therefore are not reported in the funds.	7,802,517
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(80,255)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(33,588,709)
<b>Net position of governmental activities</b>	<b>\$ 29,238,651</b>

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

For the Year Ended September 30, 2019

	General	Capital Projects Fund	Greater Downtown TIF District	Infrastructure Surtax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 9,402,009	\$ -	\$ 293,890	\$ -	\$ 258,315	\$ 9,954,214
Licenses and permits	532,831	-	-	-	-	532,831
Intergovernmental revenues	2,480,957	-	-	1,583,206	486,536	4,550,699
Special assessments	-	-	-	-	1,778,784	1,778,784
Charges for services	116,116	-	23,845	-	374,972	514,933
Fines and forfeitures	39,005	-	-	-	15,180	54,185
Investment income	2,340	-	162	27,047	1,362	30,911
Miscellaneous	210,559	-	2,000	-	12,871	225,430
<b>Total revenues</b>	<b>12,783,817</b>	<b>-</b>	<b>319,897</b>	<b>1,610,253</b>	<b>2,928,020</b>	<b>17,641,987</b>
<b>Expenditures:</b>						
Current:						
General government	3,577,808	-	-	19,584	-	3,597,392
Public safety	7,563,208	-	-	9,236,366	1,078,447	17,878,021
Physical environment	2,341,018	-	-	118,100	497,512	2,956,630
Economic environment	258,504	-	198,746	-	-	457,250
Culture and recreation	2,646,230	510,137	14,569	25,671	576,165	3,772,772
Debt Service:						
Principal	-	-	-	827,000	1,105,140	1,932,140
Interest and fiscal charges	30,013	-	-	396,976	310,928	737,917
<b>Total Expenditures</b>	<b>16,416,781</b>	<b>510,137</b>	<b>213,315</b>	<b>10,623,697</b>	<b>3,568,192</b>	<b>31,332,122</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,632,964)</b>	<b>(510,137)</b>	<b>106,582</b>	<b>(9,013,444)</b>	<b>(640,172)</b>	<b>(13,690,135)</b>
<b>Other Financing Sources (Uses):</b>						
Notes payable	837,000	-	-	-	-	837,000
Capital leases	-	-	-	-	339,398	339,398
Insurance recoveries	-	197,535	-	-	-	197,535
Transfers in	4,630,335	-	-	-	1,119,989	5,750,324
Transfers out	(1,555,231)	-	(113,694)	-	(1,693,273)	(3,362,198)
<b>Total other financing sources (uses)</b>	<b>3,912,104</b>	<b>197,535</b>	<b>(113,694)</b>	<b>-</b>	<b>(233,886)</b>	<b>3,762,059</b>
<b>Net change in fund balances</b>	<b>279,140</b>	<b>(312,602)</b>	<b>(7,112)</b>	<b>(9,013,444)</b>	<b>(874,058)</b>	<b>(9,928,076)</b>
Fund balances, beginning	2,089,188	(473,414)	(317,239)	10,473,095	(454,551)	11,317,079
<b>Fund balances, ending</b>	<b>\$ 2,368,328</b>	<b>\$ (786,016)</b>	<b>\$ (324,351)</b>	<b>\$ 1,459,651</b>	<b>\$ (1,328,609)</b>	<b>\$ 1,389,003</b>

City of Tavares, Florida

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities**

For the Year Ended September 30, 2019

---

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

Net Change in Fund Balances - total governmental funds: \$ (9,928,076)

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. 11,241,381

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. (1,013,149)

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. 755,742

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. (53,713)

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. 4,501,933

**Change in net position of governmental activities** \$ 5,504,118

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

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 9,442,779	\$ 9,442,779	\$ 9,402,009	\$ (40,770)
Licenses and permits	1,118,932	1,118,932	532,831	(586,101)
Intergovernmental revenues	2,640,254	2,640,254	2,480,957	(159,297)
Charges for services	143,851	143,851	116,116	(27,735)
Fines and forfeitures	22,039	22,039	39,005	16,966
Investment income	525	525	2,340	1,815
Miscellaneous	128,937	154,415	210,559	56,144
<b>Total revenues</b>	<u>13,497,317</u>	<u>13,522,795</u>	<u>12,783,817</u>	<u>(738,978)</u>
<b>Expenditures:</b>				
Current:				
General government	3,868,164	3,704,926	3,577,808	127,118
Public safety	6,449,048	7,650,767	7,563,208	87,559
Physical environment	3,211,012	3,004,738	2,341,018	663,720
Economic environment	260,614	261,562	258,504	3,058
Culture and recreation	2,925,024	2,914,623	2,646,230	268,393
Debt Service:				
Interest and other charges	-	26,513	30,013	(3,500)
<b>Total expenditures</b>	<u>16,713,862</u>	<u>17,563,129</u>	<u>16,416,781</u>	<u>1,146,348</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(3,216,545)</u>	<u>(4,040,334)</u>	<u>(3,632,964)</u>	<u>407,370</u>
<b>Other financing sources (uses)</b>				
Notes payable	-	-	837,000	837,000
Transfers in	4,639,173	4,639,173	4,630,335	(8,838)
Transfers out	(1,362,144)	(1,475,609)	(1,555,231)	(79,622)
<b>Total other financing sources and uses</b>	<u>3,277,029</u>	<u>3,163,564</u>	<u>3,912,104</u>	<u>748,540</u>
<b>Net change in fund balances</b>	60,484	(876,770)	279,140	1,155,910
Fund balances, beginning	<u>2,089,188</u>	<u>2,089,188</u>	<u>2,089,188</u>	-
<b>Fund balances, ending</b>	<u>\$ 2,149,672</u>	<u>\$ 1,212,418</u>	<u>\$ 2,368,328</u>	<u>\$ 1,155,910</u>

**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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and special assessments	\$ 289,005	\$ 293,890	\$ 293,890	\$ -
Charges for services	18,000	18,904	23,845	4,941
Investment income	-	-	162	162
Miscellaneous	-	-	2,000	2,000
<b>Total revenues</b>	<b>307,005</b>	<b>312,794</b>	<b>319,897</b>	<b>7,103</b>
<b>Expenditures:</b>				
Current:				
Economic environment	196,659	195,158	198,746	(3,588)
Culture and recreation	-	17,500	14,569	2,931
<b>Total Expenditures</b>	<b>196,659</b>	<b>212,658</b>	<b>213,315</b>	<b>(657)</b>
<b>Excess (deficiency) of revenues Over expenditures</b>	<b>110,346</b>	<b>100,136</b>	<b>106,582</b>	<b>6,446</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(103,819)	(113,694)	(113,694)	-
<b>Total other financing sources and uses</b>	<b>(103,819)</b>	<b>(113,694)</b>	<b>(113,694)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>6,527</b>	<b>(13,558)</b>	<b>(7,112)</b>	<b>6,446</b>
Fund balances, beginning	(317,239)	(317,239)	(317,239)	-
<b>Fund balances, ending</b>	<b>\$ (310,712)</b>	<b>\$ (330,797)</b>	<b>\$ (324,351)</b>	<b>\$ 6,446</b>

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

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenues	\$ 1,714,671	\$ 1,714,671	\$ 1,583,206	\$ (131,465)
Investment income	-	-	27,047	27,047
<b>Total revenues</b>	<u>1,714,671</u>	<u>1,714,671</u>	<u>1,610,253</u>	<u>(104,418)</u>
<b>Expenditures:</b>				
Current:				
General government	57,856	57,856	19,584	38,272
Public Safety	-	8,322,605	9,236,366	(913,761)
Physical environment	313,875	383,427	118,100	265,327
Culture and recreation	-	5,429	25,671	(20,242)
Debt Service:				
Principal	827,000	827,000	827,000	-
Interest and other charges	505,102	505,102	396,976	108,126
<b>Total Expenditures</b>	<u>1,703,833</u>	<u>10,101,419</u>	<u>10,623,697</u>	<u>(522,278)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>10,838</u>	<u>(8,386,748)</u>	<u>(9,013,444)</u>	<u>(626,696)</u>
<b>Net change in fund balances</b>	10,838	(8,386,748)	(9,013,444)	(626,696)
Fund balances, beginning	<u>10,473,095</u>	<u>10,473,095</u>	<u>10,473,095</u>	<u>-</u>
<b>Fund balances, ending</b>	<u>\$ 10,483,933</u>	<u>\$ 2,086,347</u>	<u>\$ 1,459,651</u>	<u>\$ (626,696)</u>

City of Tavares, Florida  
**Statement of Net Position**  
**Proprietary Funds**  
September 30, 2019

	Business-Type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste	Stormwater	Seaplane Base	Total
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 7,477,771	\$ 1,963,706	\$ 789,433	\$ 100,868	\$ 10,331,778
Investments	3,770,451	720	9,544	-	3,780,715
Receivables, net	1,699,190	337,256	156,903	-	2,193,349
Inventories, at cost	103,070	-	-	24,358	127,428
<b>Total current assets</b>	<b>13,050,482</b>	<b>2,301,682</b>	<b>955,880</b>	<b>125,226</b>	<b>16,433,270</b>
Noncurrent assets:					
Restricted cash and cash equivalents	3,467,230	-	-	-	3,467,230
Restricted investments	2,065,104	-	-	-	2,065,104
Due from other funds	5,044,056	-	-	-	5,044,056
Special assessments receivable - long-term	18,403	-	-	-	18,403
Capital assets:					
Land, buildings and equipment	87,814,164	2,475,070	3,344,787	172,926	93,806,947
Construction in progress	9,785,761	-	362,041	-	10,147,802
Less: accumulated depreciation	(39,127,608)	(1,684,757)	(1,337,882)	(73,496)	(42,223,743)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>58,472,317</b>	<b>790,313</b>	<b>2,368,946</b>	<b>99,430</b>	<b>61,731,006</b>
<b>Total non-current assets</b>	<b>69,067,110</b>	<b>790,313</b>	<b>2,368,946</b>	<b>99,430</b>	<b>72,325,799</b>
<b>Total assets</b>	<b>82,117,592</b>	<b>3,091,995</b>	<b>3,324,826</b>	<b>224,656</b>	<b>88,759,069</b>
<b>Deferred Outflows of Resources:</b>					
Deferred charge on refunding	27,472	-	-	-	27,472
Deferred outflows of pension and OPEB earnings	568,082	140,709	71,573	70,383	850,747
	595,554	140,709	71,573	70,383	878,219
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities	817,772	44,762	16,578	39,187	918,299
Customer deposits payable	651,610	-	-	-	651,610
Compensated absences - current	48,732	6,121	6,215	3,938	65,006
Notes payable - current	1,576,157	-	-	-	1,576,157
Revenue bonds payable - current	385,000	-	-	-	385,000
Unearned revenue	-	9,616	-	-	9,616
Accrued interest payable	268,250	-	-	-	268,250
<b>Total current liabilities</b>	<b>3,747,521</b>	<b>60,499</b>	<b>22,793</b>	<b>43,125</b>	<b>3,873,938</b>
Noncurrent liabilities:					
Compensated absences	177,651	37,345	25,399	13,116	253,511
Notes payable	32,052,925	-	-	-	32,052,925
Revenue bonds payable	4,490,000	-	-	-	4,490,000
Net OPEB liability	101,953	28,101	14,393	16,107	160,554
Net pension liability	1,549,884	381,533	193,988	189,144	2,314,549
<b>Total noncurrent liabilities</b>	<b>38,372,413</b>	<b>446,979</b>	<b>233,780</b>	<b>218,367</b>	<b>39,271,539</b>
<b>Total liabilities</b>	<b>42,119,934</b>	<b>507,478</b>	<b>256,573</b>	<b>261,492</b>	<b>43,145,477</b>
<b>Deferred Inflows of Resources:</b>					
Deferred inflows of pension and OPEB earnings	143,636	35,442	18,023	17,631	214,732
<b>Net Position:</b>					
Net investment in capital assets	19,995,707	790,313	2,368,946	99,430	23,254,396
Restricted for capital projects	4,884,035	-	-	-	4,884,035
Unrestricted	15,569,834	1,899,471	752,857	(83,514)	18,138,648
<b>Total net position</b>	<b>\$ 40,449,576</b>	<b>\$ 2,689,784</b>	<b>\$ 3,121,803</b>	<b>\$ 15,916</b>	<b>\$ 46,277,079</b>

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

For the Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				Total
	Water and Sewer	Solid Waste	Stormwater	Seaplane Base	
<b>Operating Revenues:</b>					
User charges	\$ 10,142,811	\$ 3,208,626	\$ 1,564,031	\$ 187,439	\$ 15,102,907
Other revenue	20,562	110	60	-	20,732
<b>Total operating revenues</b>	<b>10,163,373</b>	<b>3,208,736</b>	<b>1,564,091</b>	<b>187,439</b>	<b>15,123,639</b>
<b>Operating Expenses:</b>					
Personal services	2,369,001	551,897	290,529	343,772	3,555,199
Utilities	600,482	1,106,818	-	56,209	1,763,509
Materials and supplies	539,852	139,625	40,299	173,152	892,928
Repairs and maintenance	296,419	64,444	9,437	166,339	536,639
Depreciation and amortization	2,844,834	184,685	163,683	14,172	3,207,374
Professional services	369,195	22,161	6,625	83,475	481,456
Other expenses	459,202	70,421	11,823	49,326	590,772
<b>Total operating expenses</b>	<b>7,478,985</b>	<b>2,140,051</b>	<b>522,396</b>	<b>886,445</b>	<b>11,027,877</b>
<b>Operating income (loss)</b>	<b>2,684,388</b>	<b>1,068,685</b>	<b>1,041,695</b>	<b>(699,006)</b>	<b>4,095,762</b>
<b>Nonoperating Revenue (Expenses):</b>					
Intergovernmental revenue	142,216	235,661	4,767	64,283	446,927
Investment income	159,629	18	237	-	159,884
Interest expense	(763,615)	(360)	-	-	(763,975)
Insurance recoveries	-	-	-	145,903	145,903
<b>Total nonoperating revenue (expenses)</b>	<b>(461,770)</b>	<b>235,319</b>	<b>5,004</b>	<b>210,186</b>	<b>(11,261)</b>
<b>Income (loss) before contributions and transfers</b>	<b>2,222,618</b>	<b>1,304,004</b>	<b>1,046,699</b>	<b>(488,820)</b>	<b>4,084,501</b>
Impact fees	822,813	-	-	-	822,813
Transfers in	213,664	-	-	548,936	762,600
Transfers out	(1,656,304)	(953,673)	(540,749)	-	(3,150,726)
<b>Change in net position</b>	<b>1,602,791</b>	<b>350,331</b>	<b>505,950</b>	<b>60,116</b>	<b>2,519,188</b>
Total net position, beginning	38,846,785	2,339,453	2,615,853	(44,200)	43,757,891
<b>Total net position, ending</b>	<b>\$ 40,449,576</b>	<b>\$ 2,689,784</b>	<b>\$ 3,121,803</b>	<b>\$ 15,916</b>	<b>\$ 46,277,079</b>



City of Tavares, Florida  
**Statement of Cash Flows**  
**Proprietary Funds**  
For The Year Ended September 30, 2019

	Enterprise Funds				Total
	Water and Sewer	Sanitation	Stormwater	Seaplane Base	
<b>Cash Flows from Operating Activities:</b>					
Receipts from customers	\$ 10,291,801	\$ 3,222,279	\$ 1,553,659	\$ 189,428	\$ 15,257,167
Payments to suppliers	(2,093,763)	(1,401,865)	(68,004)	(503,504)	(4,067,136)
Payments to employees	(2,196,049)	(519,602)	(279,818)	(330,265)	(3,325,734)
<b>Net cash provided (used) by operating activities</b>	<b>6,001,989</b>	<b>1,300,812</b>	<b>1,205,837</b>	<b>(644,341)</b>	<b>7,864,297</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Grant revenues	142,216	235,661	4,767	64,283	446,927
Transfers in	213,664	-	-	548,936	762,600
Transfers out	(1,656,304)	(953,673)	(540,749)	-	(3,150,726)
(Increase) decrease in due from other funds	(553,160)	-	-	(6,700)	(559,860)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(1,853,584)</b>	<b>(718,012)</b>	<b>(535,982)</b>	<b>606,519</b>	<b>(2,501,059)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from insurance recoveries	-	-	-	145,903	145,903
Proceeds of notes and leases	82,114	-	-	-	82,114
Acquisition of capital assets	(2,298,893)	(5,587)	(503,745)	(8,067)	(2,816,292)
Principal paid on revenue bonds, notes and leases	(1,604,421)	(59,291)	(48,559)	-	(1,712,271)
Interest paid on revenue bonds, notes and leases	(808,203)	(563)	(71)	-	(808,837)
Impact fees received	822,813	-	-	-	822,813
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(3,806,590)</b>	<b>(65,441)</b>	<b>(552,375)</b>	<b>137,836</b>	<b>(4,286,570)</b>
<b>Cash Flows from Investing Activities:</b>					
Purchase of investments	(132,537)	-	-	-	(132,537)
Investment income	159,629	-	-	-	159,629
<b>Net cash provided (used) by investing activities</b>	<b>27,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,092</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>368,907</b>	<b>517,359</b>	<b>117,480</b>	<b>100,014</b>	<b>1,103,760</b>
<b>Cash and cash equivalents, beginning</b>	<b>10,576,094</b>	<b>1,446,347</b>	<b>671,953</b>	<b>854</b>	<b>12,695,248</b>
<b>Cash and cash equivalents, end</b>	<b>\$ 10,945,001</b>	<b>\$ 1,963,706</b>	<b>\$ 789,433</b>	<b>\$ 100,868</b>	<b>\$ 13,799,008</b>
<b>Classified As:</b>					
Cash and cash equivalents	\$ 7,477,771	\$ 1,963,706	\$ 789,433	\$ 100,868	\$ 10,331,778
Restricted cash and cash equivalents	3,467,230	-	-	-	3,467,230
<b>Total</b>	<b>\$ 10,945,001</b>	<b>\$ 1,963,706</b>	<b>\$ 789,433</b>	<b>\$ 100,868</b>	<b>\$ 13,799,008</b>

	Enterprise Funds				Total
	Water and Wastewater Fund	Solid Waste Fund	Stormwater Fund	Seaplane Base	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating income (loss)	\$ 2,684,388	\$ 1,068,685	\$ 1,041,695	\$ (699,006)	\$ 4,095,762
<b>Adjustments Not Affecting Cash:</b>					
Depreciation and amortization	2,844,834	184,685	163,683	14,172	3,207,374
<b>Change in Assets and Liabilities:</b>					
(Increase) Decrease in accounts receivable	149,425	3,927	(10,432)	1,989	144,909
(Increase) Decrease in inventories	30,919	-	-	11,354	42,273
(Increase) Decrease in deferred outflows of pension and OPEB earnings	48,734	24,168	11,536	12,499	96,937
Increase (decrease) in accounts payable	140,468	1,604	180	13,643	155,895
Increase (decrease) in accrued liabilities	14,178	87	(221)	579	14,623
Increase (decrease) in customer deposits	(20,997)	-	-	-	(20,997)
Increase (decrease) in compensated absences	52,363	16,341	2,497	6,372	77,573
Increase (decrease) in unearned revenues	-	9,616	-	-	9,616
Increase (decrease) in net pension liability	84,829	1,419	3,350	(1,023)	88,575
Increase (decrease) in deferred inflows of pension and OPEB earnings	(46,787)	(14,044)	(6,862)	(7,189)	(74,882)
Increase in OPEB obligation	19,635	4,324	411	2,269	26,639
<b>Total adjustments</b>	<u>472,767</u>	<u>47,442</u>	<u>459</u>	<u>40,493</u>	<u>561,161</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 6,001,989</u>	<u>\$ 1,300,812</u>	<u>\$ 1,205,837</u>	<u>\$ (644,341)</u>	<u>\$ 7,864,297</u>

City of Tavares, Florida  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
September 30, 2019

	Total Pension Funds
<b>Assets:</b>	
Cash and cash equivalents	\$ 334,552
Receivables:	
Employer and employee contributions	3,115
State contribution	84,493
<b>Total receivables</b>	<b>87,608</b>
Investments, at fair value:	
Mutual funds - fixed income	8,288,951
Mutual funds - equity	10,858,125
Common and collective funds	2,114,591
<b>Total Investments</b>	<b>21,261,667</b>
<b>Total assets</b>	<b>21,683,827</b>
<b>Liabilities:</b>	
Accounts payable	-
<b>Total liabilities</b>	<b>-</b>
<b>Net Position:</b>	
Net position restricted for pensions	<u><u>\$ 21,683,827</u></u>

City of Tavares, Florida

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

For the Year Ended September 30, 2019

---

	<u>Total Pension Funds</u>
<b>Additions:</b>	
Contributions:	
Employer	\$ 703,049
Plan members	211,751
State	211,989
<b>Total contributions</b>	<u>1,126,789</u>
Investment income:	
Net increase (decrease) in fair value	381,073
Interest	562,094
Less: investment expense	(48,661)
<b>Net investment income (loss)</b>	<u>894,506</u>
<b>Total additions</b>	2,021,295
<b>Deductions:</b>	
Benefits/distributions	791,184
Administrative expenses	107,756
<b>Total deductions</b>	<u>898,940</u>
<b>Change in net position</b>	1,122,355
Net position, beginning	20,561,472
<b>Net position, ending</b>	<u>\$ 21,683,827</u>

**NOTES TO FINANCIAL STATEMENTS**

## **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.

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

*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.

*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.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings	10-50
Improvements	15-50
Infrastructure	30-50
Equipment	3-15
Intangible Assets	5-15

*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 2019, the City implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires additional note disclosures for certain debt issues. The City also implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement eliminates the requirement to capitalize interest on enterprise fund construction projects. There was no effect on beginning balances of the City for the implementation of either statement.

Additionally, the GASB has issued Statement No. 83, *Certain Asset Retirement Obligations* that is effective for this fiscal year. The City has reviewed this statement and determined that this pronouncement has no discernable impact on these financial statements.

**NOTE 2 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	\$ 12,752,944
Depreciation expense	(1,511,563)
Net adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>11,241,381</u>

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

Debt issued or incurred:	
Notes payable	\$ (837,000)
Capital leases	(339,398)
Principal repayment	1,932,140
Net Adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>755,742</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	\$ (36,347)
Accrued interest payable (net change)	(4,121)
Other post employment benefits	(13,245)
Net Adjustment to Decrease <i>Net Changes in Fund Balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>(53,713)</u>

### **NOTE 3            STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **Appropriations in Excess of Funds Available**

The Capital Projects Fund, Downtown TIF District Fund, Grant Fund, Fire/Rescue Services Fund, and Pavilion Fund contained appropriations in excess of revenues and available fund balance for the fiscal year ending September 30, 2019.

#### **Deficit Fund Balances**

The Greater Downtown TIF District Special Revenue Fund, Pavilion Fund, Capital Projects Fund, and Grant Fund have deficit fund balances at September 30, 2019.

#### **Expenditures and Transfers Out in Excess of Appropriations**

The debt service department and transfers out of the General Fund, economic development department of the Greater Downtown TIF District, the public safety and culture and recreation departments of the Infrastructure Surtax Special Revenue Fund, the public safety department of the Police Services Fund, and the debt service department of the Debt Service Fund contained expenditures in excess of appropriations for the fiscal year ended September 30, 2019.

#### **Budgetary Information**

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

1. Prior to the end of the fiscal year, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them. Budgets are adopted for all funds except pension trust funds and permanent funds.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of a resolution.
4. The City cannot legally exceed the budget and any revisions that alter expenditures must be approved by the City Council. All annual appropriations lapse at year-end. The City Council may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenues.
5. The City cannot legally exceed the budget; however, at any time during the year, the City Council may transfer part or all of any unencumbered appropriation balance among programs within a department and transfer part or all of any unencumbered appropriation balance from one department to another. The City Administrator may not amend the budget without the approval of the City Council. The legal level of budgetary control is at the individual expenditure account (as detailed in the budget), e.g., salaries, general operating supplies, engineering services, etc., since the City Council must approve any over-expenditures of appropriations or transfers of appropriated amounts between line items. Individual fund comparisons at the legal level of budgetary control are included in a separate budgetary report which is available from the Finance Department.
6. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year.
7. Budgets are adopted for the general fund, special revenue funds, capital project fund, and debt service fund on a basis consistent with generally accepted accounting principles. Budgets are also adopted for the enterprise funds; however, this data is not presented under generally accepted accounting principles.

**NOTE 4 DEPOSITS AND INVESTMENTS**

**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;
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, 2019 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	\$ 2,067,387	Unrated	187 days
Florida Prime	4,031,337	AAAm	37 days
	\$ 6,098,724		

#### **NOTE 4        DEPOSITS AND INVESTMENTS (CONTINUED)**

##### **Credit Risk**

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

##### **Interest Rate Risk**

The policy limits the investment of current operating funds to 24 months. Investments of bond reserves, construction funds, and other nonoperating funds (core funds) may be invested for a term appropriate to the liquidity needs and in accordance with debt covenants, but not to exceed 60 months.

##### **Concentration of Credit Risk**

The policy establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. The policy sets forth parameter limits for each investment type as well as limits for each individual issuer for each investment type. The policy allows 100% of available funds to be invested in the SBA or in United States Government Securities.

##### **Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that, in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2019, 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.

\*\*\*This Section Intentionally Left Blank\*\*\*



**NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)**

The City has the following recurring fair value measurements as of September 30, 2019:

	9/30/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Police Officers' Pension</b>				
<b>Measured by Fair Value Level</b>				
<b>Mutual Funds</b>				
Large growth equity	\$ 2,065,367	\$ 2,065,367	\$ -	\$ -
Large value equity	1,659,793	1,659,793	-	-
Mid cap blend equity	659,728	659,728	-	-
Small blend equity	598,764	598,764	-	-
International growth equity	1,720,928	1,720,928	-	-
Convertible bond fund	1,427,427	1,427,427	-	-
Broad market bond fund	3,714,811	3,714,811	-	-
<b>Total</b>	<b>11,846,818</b>	<b>\$ 11,846,818</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Measured at Net Asset Value</b>				
<b>Common and collective funds</b>				
Real estate	909,480			
Infrastructure	400,826			
<b>Total</b>	<b>1,310,306</b>			
<b>Total investments</b>	<b>\$ 13,157,124</b>			
<b>Firefighters' Pension Plan</b>				
<b>Measured by Fair Value Level</b>				
<b>Mutual Funds</b>				
Large growth equity	\$ 1,338,707	\$ 1,338,707	\$ -	\$ -
Large value equity	988,541	988,541	-	-
Mid cap blend equity	415,674	415,674	-	-
Small blend equity	380,678	380,678	-	-
International growth equity	1,029,945	1,029,945	-	-
Convertible bond fund	782,449	782,449	-	-
Broad market bond fund	2,364,264	2,364,264	-	-
<b>Total</b>	<b>7,300,258</b>	<b>\$ 7,300,258</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Measured at Net Asset Value</b>				
<b>Common and collective funds</b>				
Real estate	587,235			
Infrastructure	217,050			
<b>Total</b>	<b>804,285</b>			
<b>Total investments</b>	<b>\$ 8,104,543</b>			

**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	\$ 351,032	\$ (64,241)	\$ 286,791
Greater Downtown TIF	26,006	(8,240)	17,766
Capital Projects Fund	7,802,517	-	7,802,517
Nonmajor Special Revenue	209,126	(27,857)	181,269
Water & Sewer	2,762,670	(1,063,480)	1,699,190
Sanitation	396,500	(59,244)	337,256
Stormwater	179,815	(22,912)	156,903
Seaplane Base	380	(380)	-
<b>Total</b>	<b>\$ 11,728,046</b>	<b>\$ (1,246,354)</b>	<b>\$ 10,481,692</b>

**Capital Projects Fund Receivable**

The capital projects fund 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.

\*\*\*This Section Intentionally Left Blank\*\*\*

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,594,092	\$ -	\$ -	\$ 6,594,092
Construction in progress	10,474,990	11,106,932	(1,658,726)	19,923,196
<b>Total capital assets not being depreciated</b>	<b>17,069,082</b>	<b>11,106,932</b>	<b>(1,658,726)</b>	<b>26,517,288</b>
Capital assets, being depreciated:				
Buildings	12,360,434	5,400	-	12,365,834
Improvements/Infrastructure	19,487,579	1,882,639	-	21,370,218
Machinery and equipment	7,863,785	1,273,007	(7,170)	9,129,622
Software/licenses	290,048	143,692	-	433,740
<b>Total capital assets being depreciated</b>	<b>40,001,846</b>	<b>3,304,738</b>	<b>(7,170)</b>	<b>43,299,414</b>
Less accumulated depreciation for:				
Buildings	(3,047,990)	(314,844)	-	(3,362,834)
Improvements/Infrastructure	(6,029,632)	(787,278)	-	(6,816,910)
Machinery and equipment	(6,849,762)	(380,220)	7,170	(7,222,812)
Software/licenses	(202,816)	(29,221)	-	(232,037)
<b>Total accumulated depreciation</b>	<b>(16,130,200)</b>	<b>(1,511,563)</b>	<b>7,170</b>	<b>(17,634,593)</b>
<b>Total capital assets, being amortized/depreciated:</b>	<b>23,871,646</b>	<b>1,793,175</b>	<b>-</b>	<b>25,664,821</b>
<b>Governmental activities assets, net</b>	<b>\$ 40,940,728</b>	<b>\$ 12,900,107</b>	<b>\$ (1,658,726)</b>	<b>\$ 52,182,109</b>

\*\*\*This Section Intentionally Left Blank\*\*\*

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 533,263	\$ 525	\$ -	\$ 533,788
Construction in progress	8,587,732	2,006,689	(446,619)	10,147,802
<b>Total capital assets not being depreciated</b>	<b>9,120,995</b>	<b>2,007,214</b>	<b>(446,619)</b>	<b>10,681,590</b>
<b>Capital assets being depreciated:</b>				
Buildings & improvements	83,320,788	392,087	-	83,712,875
Machinery and equipment	8,908,563	226,270	(2,506)	9,132,327
Software/licenses	62,270	365,687	-	427,957
<b>Total capital assets being depreciated</b>	<b>92,291,621</b>	<b>984,044</b>	<b>(2,506)</b>	<b>93,273,159</b>
Less accumulated depreciation for:				
Buildings & improvements	(32,705,976)	(2,660,005)	-	(35,365,981)
Machinery and equipment	(6,273,537)	(533,468)	2,506	(6,804,499)
Software/licenses	(39,362)	(13,901)	-	(53,263)
<b>Total accumulated depreciation</b>	<b>(39,018,875)</b>	<b>(3,207,374)</b>	<b>2,506</b>	<b>(42,223,743)</b>
<b>Total capital assets being depreciated, net</b>	<b>53,272,746</b>	<b>(2,223,330)</b>	<b>-</b>	<b>51,049,416</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 62,393,741</b>	<b>\$ (216,116)</b>	<b>\$ (446,619)</b>	<b>\$ 61,731,006</b>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities:</b>	
General government	\$ 92,424
Public safety	285,094
Physical environment	491,335
Economic Development	37,362
Culture and recreation	605,348
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,511,563</b>
<b>Business-type activities:</b>	
Water & sewer	2,844,834
Solid waste	184,685
Stormwater	163,683
Seaplane base & marina	14,172
<b>Total depreciation expense - business-type activities</b>	<b>\$ 3,207,374</b>

**NOTE 8 LONG-TERM DEBT**

**Bonds Payable - Private Placement**

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, 2019
<b>Business-Type Activities</b>				
Water and Sewer Revenue and Refunding Bonds, Series 2012A	2.69% (2/1 & 8/1)	8/1/2013 to 8/1/2030	\$ 4,720,000	\$ 3,140,000
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	1,735,000
				<u>\$4,875,000</u>

	Maximum Annual Debt Service	Fiscal Year Principal & Interest Paid	Principal & Interest Remaining	Total Pledged Revenues
<b>Business-Type Activities</b>				
Water and Sewer Revenue and Refunding Bonds, Series 2012A	\$ 336,561	\$ 336,057	\$ 3,669,796	\$ 6,352,035
Water and Sewer Revenue and Refunding Bonds, Series 2012B	\$ 186,672	\$ 185,303	\$ 2,027,134	\$ 6,352,035

Year ending September 30,	Business -Type Activities	
	Principal	Interest
2020	\$ 385,000	\$ 131,138
2021	395,000	120,781
2022	410,000	110,156
2023	420,000	99,127
2024	430,000	87,829
2025-2029	2,330,000	259,316
2030	505,000	13,583
	<u>\$ 4,875,000</u>	<u>\$ 821,930</u>

The City of Tavares Water and Sewer Revenue Bonds, Series 2012, are secured by net revenues from the water and sewer utility. In the event of default, the bondholders may exercise all available legal remedies to enforce payment of amounts due, including the recovery of attorney fees.

**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:

	Governmental Activities
Assets	
Machinery and equipment	\$ 391,776
Less: accumulated depreciation	(35,913)
<b>Total</b>	<b>\$ 355,863</b>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019 were as follows:

Year Ending September 30,	Governmental Activities
2020	\$ 39,178
2021	39,178
2022	39,178
2023	39,178
2024	39,178
2025-2028	156,707
Total minimum lease payments	352,597
Less: amount representing interest	(52,377)
	<b>\$ 300,220</b>

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

**Notes Payable - Direct Borrowing**

Notes payable outstanding at year end are as follows:

	Interest Rates and Dates	Issue and Final Maturity Dates	Original Amount	Balance September 30, 2019
<b>Governmental Activities</b>				
Capital Improvement Revenue Note Series 2008	3.99% 10/1 & 4/1	5/23/2008 10/1/2027	\$ 1,500,000	\$ 770,000
Capital Improvement Revenue Refunding Note Series 2012	2.82% 2/1 & 8/1	6/14/2012 2/1/2028	\$ 6,530,000	4,077,000
General Obligation Series 2012	2.77% 1/1 & 7/1	6/18/2012 7/1/2027	\$ 3,300,000	1,930,000
Capital Improvement Revenue Notes Series 2014	1.33% 10/1,1/1,4/1, 7/1	4/4/2014 4/1/2019	\$ 464,960	-
Sales Tax Revenue Note Series 2016	2.95% 10/1 & 4/1	8/5/2016 10/1/2032	\$ 11,250,000	10,316,000
Capital Improvement Revenue Notes Series 2016	2.15% 5/1 & 11/1	3/9/2016 11/1/2026	\$ 1,525,000	1,145,000
Capital Improvement Revenue Refunding Note Series 2017	2.51% 2/1 & 8/1	11/27/2017 2/1/2032	\$ 5,484,000	5,016,000
Capital Improvement Revenue Note Series 2018	3.25% 5/1 & 11/1	10/19/2018 11/1/2025	\$ 837,000	783,000
<b>Total</b>				<b>\$ 24,037,000</b>
	Maximum Annual Debt Service	Fiscal Year Principal & Interest Paid	Principal & Interest Remaining	Total Pledged Revenues
<b>Governmental Activities</b>				
Capital Improvement Revenue Note Series 2008	\$ 114,688	\$ 113,915	\$ 914,716	N/A
Capital Improvement Revenue Refunding Note Series 2012	\$ 504,127	\$ 501,250	\$ 4,517,533	\$ 1,708,281
General Obligation Series 2012	\$ 272,487	\$ 272,361	\$ 2,178,249	\$ 257,445
Capital Improvement Revenue Notes Series 2014	\$ 48,201	\$ 48,201	-	N/A
Sales Tax Revenue Note Series 2016	\$ 967,607	\$ 967,320	\$ 12,569,682	\$ 1,583,206
Capital Improvement Revenue Notes Series 2016	\$ 158,166	\$ 156,015	\$ 1,245,996	N/A
Capital Improvement Revenue Refunding Note Series 2017	\$ 453,735	\$ 451,942	\$ 5,878,009	\$ 1,708,281
Capital Improvement Revenue Note Series 2018	\$ 135,330	\$ 68,508	\$ 874,975	N/A

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

	Interest Rates and Dates	Issue and Final Maturity Dates	Original Amount	Balance September 30, 2019
<b>Business-Type Activities</b>				
State Revolving Fund Loan WW78905P	2.15%-3.07% 6/15 & 12/15	4/2/2002 12/15/2035	\$ 14,706,596	\$ 9,097,829
State Revolving Fund Loan WW789060	2.82% 4/15 & 10/15	3/17/2009 4/15/2031	\$ 850,852	693,858
State Revolving Fund Loan DW350301	2.82% 5/15 & 11/15	9/21/2009 11/15/2030	\$ 370,412	227,073
State Revolving Fund Loan 350910	2.37% 3/15 & 9/15	5/11/2011 3/15/2032	\$ 2,571,438	1,890,740
State Revolving Fund Loan 350920	2.15% 4/15 & 10/15	4/5/2013 3/15/2032	\$ 2,957,044	2,349,924
State Revolving Fund Loan 350900	1.62%-2.06% 4/15 & 10/15	6/28/2013 4/15/2035	\$ 6,505,862	5,843,439
State Revolving Fund Loan 350930	2.00% 4/15 & 10/15	6/28/2013 10/1/2034	\$ 8,104,060	7,213,801
State Revolving Fund Loan 350940	2.06% 1/15 & 7/15	3/31/2014 1/15/2037	\$ 5,515,868	5,515,868
State Revolving Fund Loan 350950	1.38% 5/15 & 11/15	4/14/2016 11/15/2037	\$ 20,074	19,078
State Revolving Fund Loan 350951	0.57% 5/15 & 11/15	11/6/2018 11/15/2040	\$ 6,624,350	-
State Revolving Fund Loan 350960	2.01% 5/15 & 11/15	4/14/2016 11/15/2029	\$ 77,000	72,472
State Revolving Fund Loan 350961	1.01% 5/15 & 11/15	4/14/2016 11/15/2040	\$ 829,780	-
Special Assessment Note Series 2014	2.63% 4/1 & 10/1	12/5/2014 10/1/2024	\$ 1,100,000	705,000
Capital Improvement Revenue Notes Series 2014	1.33% 10/1, 1/1, 4/1 & 7/1	4/4/2014 4/1/2019	\$ 265,671	-
<b>Total</b>			<b>\$</b>	<b>33,629,082</b>

\*\*\*This Section Intentionally Left Blank\*\*\*



**NOTE 8 LONG-TERM DEBT (CONTINUED)**

	Maximum Annual Debt Service	Fiscal Year Principal & Interest Paid	Principal & Interest Remaining	Total Pledged Revenues
<b>Business-Type Activities</b>				
State Revolving Fund Loan WW78905P	\$ 679,404	\$ 678,481	\$ 10,862,213	\$ 6,370,304
State Revolving Fund Loan WW789060	\$ 57,456	\$ 57,456	\$ 861,844	\$ 6,160,118
State Revolving Fund Loan DW350301	\$ 24,166	\$ 24,166	\$ 265,713	\$ 6,139,058
State Revolving Fund Loan 350910	\$ 165,049	\$ 165,049	\$ 2,219,346	\$ 6,132,286
State Revolving Fund Loan 350920	\$ 188,631	\$ 188,630	\$ 2,829,466	\$ 6,085,373
State Revolving Fund Loan 350900	\$ 278,844	\$ 237,469	\$ 7,232,678	\$ 6,024,593
State Revolving Fund Loan 350930	\$ 361,297	\$ 361,297	\$ 9,312,586	\$ 5,923,777
State Revolving Fund Loan 350940	\$ 286,872	\$ -	\$ 5,705,765	\$ 5,774,667
State Revolving Fund Loan 350950	\$ 1,172	\$ 1,172	\$ 21,682	\$ 5,774,667
State Revolving Fund Loan 350951	\$ 359,486	\$ -	\$ -	\$ 5,773,494
State Revolving Fund Loan 350960	\$ 8,150	\$ -	\$ 81,345	\$ 5,773,494
State Revolving Fund Loan 350961	\$ 47,142	\$ -	\$ -	\$ 5,773,494
Special Assessment Note Series 2014	\$ 128,679	\$ 128,356	\$ 771,276	\$ 6,352,035
Capital Improvement Revenue Notes Series 2014	\$ 41,623	\$ 41,623	\$ -	N/A

\*\*\*This Section Intentionally Left Blank\*\*\*

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

Revenues pledged as security for notes payable are as follows:

	Pledged Revenues
<b>Governmental Activities</b>	
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.
Capital Improvement Revenue Notes Series 2018	Budget and appropriate from legally available non ad valorem revenues
<b>Business-Type Activities</b>	
State Revolving Fund 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

In the event of default on the state revolving fund notes, the Florida Department of Environmental Protection may cause to establish rates and collect fees, require the City to account for all moneys received and used, appoint a receiver to manage the Water and Sewer Systems, intercept delinquent amounts plus a penalty due to the City under State Revenue Sharing, recover all amounts due including costs of collection and attorney fees, and accelerate the repayment schedule or increase the interest rate by a factor of up to 1.667.

For the remaining notes payable, in the event of default, the note holder can declare all outstanding amounts immediately due and payable.

**NOTE 8            LONG-TERM DEBT (CONTINUED)**

Debt service requirements for notes payable at September 30, 2019 are as follows:

Year Ending <u>September 30,</u>	Governmental Activities		Business Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,953,000	\$ 647,796	\$ 1,576,157	\$ 602,079
2021	2,002,000	594,290	1,598,208	580,135
2022	2,061,000	539,256	1,628,791	549,580
2023	2,113,000	482,726	1,659,974	518,347
2024	2,175,000	424,622	1,691,771	486,420
2025-2029	9,691,000	1,240,741	8,428,148	1,948,459
2030-2032	4,042,000	212,730	8,721,461	1,134,691
2035-2039	-	-	4,783,818	499,627
2040-2044	-	-	2,989,067	208,187
2045	-	-	551,687	7,310
	<u>\$ 24,037,000</u>	<u>\$ 4,142,161</u>	<u>\$ 33,629,082</u>	<u>\$ 6,534,835</u>

\*\*\*This Section Intentionally Left Blank\*\*\*

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

**Changes in Long-Term Liabilities:**

Long-term liability activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	\$ -	\$ 339,398	\$ (39,178)	\$ 300,220	\$ 29,493
Notes payable - direct borrowing:					
Capital improvement 2008	850,000	-	(80,000)	770,000	83,000
Capital improvement 2012	4,479,000	-	(402,000)	4,077,000	411,000
General obligation 2012	2,143,000	-	(213,000)	1,930,000	219,000
Capital improvement 2014	47,962	-	(47,962)	-	-
Sales tax 2016	10,960,000	-	(644,000)	10,316,000	663,000
Capital improvement 2016	1,275,000	-	(130,000)	1,145,000	135,000
Capital improvement 2017	5,338,000	-	(322,000)	5,016,000	332,000
Capital improvement 2018	-	837,000	(54,000)	783,000	110,000
<b>Total notes payable</b>	<u>25,092,962</u>	<u>837,000</u>	<u>(1,892,962)</u>	<u>24,037,000</u>	<u>1,953,000</u>
Net pension liability	6,316,869	1,563,052	-	7,879,921	-
Net OPEB liability	348,701	60,058	-	408,759	-
Compensated absences	926,462	731,199	(694,852)	962,809	192,562
<b>Governmental activity     long-term liabilities</b>	<u>\$ 32,684,994</u>	<u>\$ 3,530,707</u>	<u>\$ (2,626,992)</u>	<u>\$ 33,588,709</u>	<u>\$ 2,175,055</u>
<b>Business-type Activities:</b>					
Revenue bonds - private placement	\$ 5,255,000	\$ -	\$ (380,000)	\$ 4,875,000	\$ 385,000
Capital leases	66,499	-	(66,499)	-	-
Notes payable - direct borrowing:					
State revolving loans	33,959,389	82,114	(1,117,421)	32,924,082	1,466,157
Special assessment note	812,000	-	(107,000)	705,000	110,000
Capital improvement note	41,351	-	(41,351)	-	-
<b>Total notes payable</b>	<u>34,812,740</u>	<u>82,114</u>	<u>(1,265,772)</u>	<u>33,629,082</u>	<u>1,576,157</u>
Net pension liability	2,225,974	88,575	-	2,314,549	-
Net OPEB liability	133,915	26,639	-	160,554	-
Compensated absences	240,944	300,120	(222,547)	318,517	65,006
<b>Business-type activity     long term liabilities</b>	<u>\$ 42,735,072</u>	<u>\$ 497,448</u>	<u>\$ (1,934,818)</u>	<u>\$ 41,297,702</u>	<u>\$ 2,026,163</u>

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, 2019 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, 2019. 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, 2019 is as follows:

	Receivable Fund		Total
	General Fund	Water and Sewer Fund	
<b>Payable Fund</b>			
Downtown TIF District	\$ -	\$ 450,000	\$ 450,000
Capital Projects Fund	-	1,420,922	1,420,922
Nonmajor governmental funds	52,297	3,173,134	3,225,431
<b>Total</b>	<b>\$ 52,297</b>	<b>\$ 5,044,056</b>	<b>\$ 5,096,353</b>

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)**

In Fiscal Year 2011, the City Council authorized an interfund loan from the Utility Funds for the construction of the Tavares Pavilion on the Lake as well as the authorization for an interfund loan from the Utility Funds for the construction of the City of Tavares Train Station. Subsequently in Fiscal Year 2015 the City Council authorized an additional interfund loan to purchase strategic property in the downtown core owned by the Lake County Government and home to the Lake County Clerk’s Office until relocation of County offices was complete with the completion of the Judicial Complex in the County’s downtown campus.

The Tavares Pavilion on the Lake is located over the water in the downtown waterfront entertainment district providing a premiere facility and venue that brings vibrancy to downtown economic activity. The Pavilion hosts events such as conferences, training workshops, as well as weddings in a unique setting. The purchase of the Lake County property in the downtown core, formerly the Clerk’s Building, provided the City with the ability to envision and plan for the development of the property, a keystone for economic initiatives for the downtown core and entertainment district. At this time the property is utilized as a vibrant town square which is an integral part of delivering downtown events.

As with all loans a plan for repayment is a needed component. The City has planned for inclusion of repayments for interfund loans in its annual budgetary process to ensure the repayment of principal and interest on an ongoing basis. It is the goal of the City to increase payment amounts each year in order to achieve repayment in a reasonable period. Payments to the Utility Fund for the internal loans were deferred in fiscal years 2017 and 2018 due to the effects of Hurricane IRMA. Loan payments to the Utility Fund will resume in fiscal year 2021 and thereafter. Interfund balances between funds are generally experienced as a result of grant expenditures or project expenditures funded with State Revolving Loan Funds (SRF) as collections are reimbursement in nature. These items will be closed when grant or SRF loan receipts are received. The City will ensure that all grants and SRF reimbursements are requested timely.

Interfund transfers for the year ended September 30, 2019 consisted of the following:

	Transfer in				Total
	General Fund	Water & Sewer Fund	Seaplane Base	Nonmajor Governmental Funds	
<b>Transfer Out:</b>					
General fund	\$ -	\$ -	\$ 435,242	\$ 1,119,989	\$ 1,555,231
Greater downtown					
TIF district	-	-	113,694	-	113,694
Water & sewer fund	1,656,304	-	-	-	1,656,304
Solid waste fund	953,673	-	-	-	953,673
Stormwater fund	327,085	213,664	-	-	540,749
Nonmajor governmental funds	1,693,273	-	-	-	1,693,273
<b>Total</b>	<b>\$ 4,630,335</b>	<b>\$ 213,664</b>	<b>\$ 548,936</b>	<b>\$ 1,119,989</b>	<b>\$ 6,512,924</b>

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. In fiscal year 2018, the Police Officer's Pension Plan was closed to new hires. In fiscal year 2019, the Firefighter's Pension Plan was closed to new hires. Police officers and firefighters hired after these dates participate in FRS.

### **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 individual fund statements for the POPP and FPP are shown on the following page.

	Pension Trust Funds		
	Police Officers	Firefighters	Totals
<b>Assets:</b>			
Cash and cash equivalents	\$ 227,651	\$ 106,901	\$ 334,552
Receivables:			
Employer and employee contributions	3,115	-	3,115
State contribution	-	84,493	84,493
<b>Total receivables</b>	<b>3,115</b>	<b>84,493</b>	<b>87,608</b>
Investments, at fair value:			
Mutual funds - fixed income	5,142,238	3,146,713	8,288,951
Mutual funds - equity	6,704,580	4,153,545	10,858,125
Common and collective funds	1,310,306	804,285	2,114,591
<b>Total Investments</b>	<b>13,157,124</b>	<b>8,104,543</b>	<b>21,261,667</b>
<b>Total assets</b>	<b>13,387,890</b>	<b>8,295,937</b>	<b>21,683,827</b>
<b>Net Position:</b>			
Net position restricted for pensions	\$ 13,387,890	\$ 8,295,937	\$ 21,683,827

	Pension Trust Funds		
	Police Officers	Firefighters	Total Pension Funds
<b>Additions:</b>			
Contributions:			
Employer	\$ 355,183	\$ 347,866	\$ 703,049
Plan members	166,880	44,871	211,751
State	127,496	84,493	211,989
<b>Total contributions</b>	<b>649,559</b>	<b>477,230</b>	<b>1,126,789</b>
Investment income:			
Net increase (decrease) in fair value	232,636	148,437	381,073
Interest	349,693	212,401	562,094
Less: investment expense	(27,835)	(20,826)	(48,661)
<b>Net investment income (loss)</b>	<b>554,494</b>	<b>340,012</b>	<b>894,506</b>
<b>Total additions</b>	<b>1,204,053</b>	<b>817,242</b>	<b>2,021,295</b>
<b>Deductions:</b>			
Benefits/distributions	565,541	225,643	791,184
Administrative expenses	54,342	53,414	107,756
<b>Total deductions</b>	<b>619,883</b>	<b>279,057</b>	<b>898,940</b>
<b>Change in net position</b>	<b>584,170</b>	<b>538,185</b>	<b>1,122,355</b>
<b>Net position, beginning</b>	<b>12,803,720</b>	<b>7,757,752</b>	<b>20,561,472</b>
<b>Net position, ending</b>	<b>\$ 13,387,890</b>	<b>\$ 8,295,937</b>	<b>\$ 21,683,827</b>



## **NOTE 11      RETIREMENT PLANS (CONTINUED)**

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, 2019 active plan membership was 23, with 17 inactive plan members or beneficiaries receiving benefits and 2 inactive plan members entitled to but not yet 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: 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.

**NOTE 11 RETIREMENT PLANS (CONTINUED)**

*Rate of Return*

For the year ended September 30, 2019, the annual money-weighted rate of return on plan investments, net of investment expense, was 4.31%. 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, 2019 is \$189,300.

*Net Pension Liability of the Sponsor*

The components of the net pension liability of the sponsor on September 30, 2019 were as follows:

Total Pension Liability	\$ 15,178,988
Plan Fiduciary Net Position*	(13,370,135)
Sponsor's Net Pension Liability	<u>\$ 1,808,853</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>88.08%</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, 2018 updated to September 30, 2019 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	35%	7.3%
International Equity	15%	2.7%
Bonds	30%	3.6%
Convertibles	10%	6.3%
Private Real Estate	5%	4.9%
Infrastructure	5%	8.1%

*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	\$ 3,909,367	\$ 1,808,853	\$ 95,111

**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, 2018	\$ 14,269,660	\$ (12,791,859)	\$ 1,477,801
Changes for a Year:			
Service cost	394,130	-	394,130
Interest	1,114,383	-	1,114,383
Share plan allocation	25,145	-	25,145
Difference between expected and actual experience	(55,028)	-	(55,028)
Contributions - employer	-	(355,182)	(355,182)
Contributions - state	-	(127,496)	(127,496)
Contributions - employee	-	(166,062)	(166,062)
Net investment income	-	(549,419)	(549,419)
Benefit payments and refunds	(569,302)	569,302	-
Administrative Expense	-	50,581	50,581
<b>Balances at September 30, 2019</b>	<b>\$ 15,178,988</b>	<b>\$ (13,370,135)</b>	<b>\$ 1,808,853</b>

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

For the year ended September 30, 2019, the City recognized pension expense of \$634,656. On September 30, 2019, 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	\$ 251,995	\$ -
Differences Between Expected and Actual Experience	160,375	155,914
Changes of Assumptions	57,520	-
Balance, September 30, 2019	<u>\$ 469,890</u>	<u>\$ 155,914</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,	
2020	\$ 10,300
2021	48,511
2022	123,322
2023	121,169
2024	3,558
Thereafter	7,116
	\$ 313,976

**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 hired before February 7, 2019 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, 2019 active plan membership was 24, with 2 inactive plan members entitled to but not receiving benefits and 9 inactive plan members or beneficiaries receiving benefits.

*Benefits Provided*

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

*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)**

*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, 2019, the annual money-weighted rate of return on plan investments, net of investment expense, was 4.3%. 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, 2019 is \$0.

*Net Pension Liability of the Sponsor*

The components of the net pension liability of the sponsor on September 30, 2019 were as follows:

Total Pension Liability	\$ 8,756,988
Plan Fiduciary Net Position*	(8,304,124)
Sponsor's Net Pension Liability	<u>\$ 452,864</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>94.83%</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, 2018 updated to September 30, 2019 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	35%	7.3%
International Equity	15%	2.7%
Bonds	30%	3.6%
Convertibles	10%	6.3%
Private Real Estate	5%	4.9%
Infrastructure	5%	8.1%

*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	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Sponsor's Net Pension Liability	\$ 1,660,427	\$ 452,684	\$ (548,982)

**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, 2018	\$ 8,031,055	\$ (7,777,388)	\$ 253,667
Changes for a Year:			
Service cost	313,666	-	313,666
Interest	596,515	-	596,515
Share plan allocation	2,847	-	2,847
Difference between expected and actual experience	44,640	-	44,640
Changes of assumptions	-	-	-
Changes of benefit terms	(2,117)	-	(2,117)
Contributions - employer	-	(341,838)	(341,838)
Contributions - state	-	(88,023)	(88,023)
Contributions - employee	-	(44,126)	(44,126)
Net investment income	-	(335,781)	(335,781)
Benefit payments and refunds	(229,618)	229,618	-
Administrative Expense	-	53,414	53,414
Balances at September 30, 2019	<u>\$ 8,756,988</u>	<u>\$ (8,304,124)</u>	<u>\$ 452,864</u>

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

For the year ended September 30, 2019, the City recognized pension expense of \$357,622. On September 30, 2019, 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	\$ 135,122	\$ -
Differences Between Expected and Actual Experience	39,680	606,704
Changes of Assumptions	109,112	5,984
Balance, September 30, 2019	<u>\$ 283,914</u>	<u>\$ 612,688</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,	
2020	\$ (101,545)
2021	(84,963)
2022	(48,638)
2023	(60,756)
2024	(25,688)
Thereafter	(7,184)
	<u>\$ (328,774)</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, 2019, 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 \$25,499. There were no forfeitures applied to the City's contributions during the year ended September 30, 2019.

#### **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, 2019, 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, 2019). 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, 2019.

### **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](http://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, 2019 are as follows:

*Regular Class* - Members not qualifying for other classes (11.47% [includes 3% employee contribution] from July 1, 2019 through September 30, 2019 and 11.26% [includes 3% employee contribution] from October 1, 2018 through June 30, 2019).

*Special Risk Class* - (28.48% [includes 3% employee contribution] from July 1, 2019 through September 30, 2019 and 27.50% [includes 3% employee contribution] from October 1, 2018 through June 30, 2019).

*Special Risk Administrative Support Class* - (41.59% [includes 3% employee contribution] from July 1, 2019 through September 30, 2019 and 37.98% [includes 3% employee contribution] from October 1, 2018 through June 30, 2019).

*Deferred Retirement Option Program (DROP)* - 14.60% [DROP participants are not required to contribute] from July 1, 2019 through September 30, 2019 and 14.03% from October 1, 2018 through June 30, 2019.

*Senior Management* – 28.41% [includes 3% employee contribution] from July 1, 2019 through September 30, 2019 and 27.06% [includes 3% employee contribution] from October 1, 2018 through June 30, 2019.

These employer contribution rates include 1.66% HIS Plan subsidy for both periods October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, 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 \$561,045 for the fiscal year ended September 30, 2019.

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

At September 30, 2019, the City reported a liability of \$5,916,912 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2019 fiscal year contributions relative to the 2018 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was .01718 percent, which was an increase of .00066 percent from its proportionate share measured as of June 30, 2018.

**NOTE 11 RETIREMENT PLANS (CONTINUED)**

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$1,000,791. 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	\$ 350,949	\$ 3,672
Change of Assumptions	1,519,718	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	327,354
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	268,349	156,314
Pension Plan Contributions Subsequent to the Measurement Date	142,524	-
	\$ 2,281,540	\$ 487,340

The deferred outflows of resources related to the Pension Plan, totaling \$142,524 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, 2020. 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,	
2020	\$ 622,099
2021	192,471
2022	420,559
2023	302,886
2024	85,689
Thereafter	27,972
	\$ 1,651,676

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 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	6.90%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB2010 base tables varies by member category and sex, projected generationally with Scale MP 2018. The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

**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%	3.30%	3.30%	1.20%
Fixed Income	18.00%	4.10%	4.10%	3.50%
Global Equity	54.00%	8.00%	6.80%	16.50%
Real Estate	10.00%	6.70%	6.10%	11.70%
Private Equity	11.00%	11.20%	8.40%	25.80%
Strategic Investments	6.00%	5.90%	5.70%	6.70%
<b>Total</b>	<b>100.00%</b>			
Assumed Inflation - Mean			2.60%	1.70%

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. 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 6.90%, 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 (5.90%) or one percentage point higher (7.90%) than the current rate:

	Discount Rate Minus 1% 5.90%	Current Discount Rate 6.90%	Discount Rate Plus 1% 7.90%
City's Proportionate Share of Net Pension Liability (FRS)	\$ 10,228,371	\$ 5,916,912	\$ 2,316,115

**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, 2019, the City reported a payable in the amount of \$66,588 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2019.

### **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, 2019, 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, 2019, the HIS contribution for the period October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019 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 \$103,695 for the fiscal year ended September 30, 2019.

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

At September 30, 2019, the City reported a liability of \$2,015,841 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2019 fiscal year contributions relative to the 2018 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was .01802 percent, which was an increase of .00068 percent from its proportionate share measured as of June 30, 2018.

**NOTE 11 RETIREMENT PLANS (CONTINUED)**

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$78,921. 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	\$ 24,485	\$ 2,468
Change of Assumptions	233,415	164,758
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,301	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	191,554	66,139
Pension Plan Contributions Subsequent to the Measurement Date	24,991	-
	\$ 475,746	\$ 233,365

The deferred outflows of resources related to the HIS Plan, totaling \$24,991 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, 2020. 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,	
2020	\$ 67,202
2021	64,783
2022	48,112
2023	8,373
2024	4,914
Thereafter	24,006
	\$ 217,390

**Actuarial Assumptions**

The total pension liability in the July 1, 2019, 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	3.50% 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, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

**NOTE 11 RETIREMENT PLANS (CONTINUED)**

*Discount Rate*

The discount rate used to measure the total pension liability was 3.50%. 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate Minus 1% 2.50%	Current Discount Rate 3.50%	Discount Rate Plus 1% 4.50%
City's Proportionate Share of Net Pension Liability (FRS)	\$ 2,301,186	\$ 2,015,841	\$ 1,778,181

*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 2019 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, 2019, 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, 2019 was \$70,901.

**Aggregate Amounts of All Pension Plans**

The aggregate amounts for all of the City's defined benefit pension plans at September 30, 2019 are as follows:

	Governmental Activities			
	Net Pension Asset (Liability)	Deferred Inflows	Deferred Outflows	Pension Expense
Police Officers' Pension Plan	\$ (1,808,853)	\$ (155,914)	\$ 469,890	\$ 151,978
Firefighters' Pension Plan	(452,864)	(612,688)	283,914	(72,239)
FRS Pension Plan	(4,190,528)	(345,149)	1,615,852	818,155
HIS Pension Plan	(1,427,676)	(165,276)	336,938	115,255
	<u>\$ (7,879,921)</u>	<u>\$ (1,279,027)</u>	<u>\$ 2,706,594</u>	<u>\$ 1,013,149</u>
			Business-type Activities	
	Net Pension Asset (Liability)	Deferred Inflows	Deferred Outflows	Pension Expense
FRS Pension Plan	\$ (1,726,384)	\$ (142,191)	\$ 665,688	\$ 182,636
HIS Pension Plan	(588,165)	(68,089)	138,808	(36,334)
	<u>\$ (2,314,549)</u>	<u>\$ (210,280)</u>	<u>\$ 804,496</u>	<u>\$ 146,302</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, 2018 (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	143
	<u>151</u>

**Total OPEB Liability**

The City's total OPEB liability of \$569,313 as of September 30, 2019 for the City's fiscal year and reporting period of October 1, 2018 to September 30, 2019. The values shown for this fiscal year and reporting period are based on a measurement date of October 1, 2018 and the corresponding measurement period of October 1, 2017 to October 1, 2018. The measurement of the total OPEB liability is based on a valuation date of October 1, 2018.

Total OPEB Liability	\$ 569,313
Plan Fiduciary Net Position	-
Sponsor's Net OPEB Liability	<u>\$ 569,313</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%

**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*Actuarial Assumptions and Other Inputs*

The total OPEB liability in the October 1, 2018 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	2.66% (Bond Buyer's 20-Bond GO Index as of September 30, 2019)
Salary Scale	General Employees: 2.50%, Firefighters: 3.00%, Police Officers: 6.00%
Health Care Cost Trend Rates	2019: 4.5%, 2020: 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**

	OPEB Liability
Balances at September 30, 2018	\$ 482,616
Changes for the year:	
Service cost	15,751
Interest	20,653
Changes of assumptions	93,152
Benefit payments	(42,859)
<b>Net Changes</b>	<u>86,697</u>
Balances at September 30, 2019	<u>\$ 569,313</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 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
Plan Sponsor's Net OPEB Liability	\$ 630,111	\$ 569,313	\$ 517,344

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
Plan Sponsor's Net OPEB Liability	\$ 526,697	\$ 569,313	\$ 618,831

**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, 2019, the City recognized OPEB expense of \$20,975. On September 30, 2019, 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	\$ 164,003	\$ 15,785
Balance, September 30, 2019	<u>\$ 164,003</u>	<u>\$ 15,785</u>

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

Year Ended September 30,	
2020	\$ 24,661
2021	24,661
2022	24,661
2023	24,661
2024	24,661
Thereafter	24,913
	<u>\$ 148,218</u>

**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, 2019. 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, 2019, 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, 2019, the city's governmental fund balances were as follows:

Fund Balances	General	Capital Projects Fund	Greater Downtown TIF District	Infrastructure Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Inventory/prepays	\$ 9,889	\$ -	\$ -	\$ -	\$ -	\$ 9,889
Advances to other funds	52,297	-	-	-	-	52,297
Non-expendable trust	-	-	-	-	29,295	29,295
<b>Spendable</b>						
Restricted for:						
Public safety	-	-	-	-	481,904	481,904
Capital projects	-	-	-	1,459,651	-	1,459,651
Culture recreation	-	-	-	-	75,595	75,595
Debt Service	-	-	-	-	469,318	469,318
Unassigned	2,306,142	(786,016)	(324,351)	-	(2,384,721)	(1,188,946)
<b>Total fund balances</b>	<b>\$ 2,368,328</b>	<b>\$ (786,016)</b>	<b>\$ (324,351)</b>	<b>\$ 1,459,651</b>	<b>\$ (1,328,609)</b>	<b>\$ 1,389,003</b>